FOREIGN AGRICULTURE

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Open-air peanut storage, Senegal

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Perspectives on U.S. Farm Trade

Trade is a long-time thing

There are no "quick fixes" to long-term agricultural trade development. We have established a record of solid, sustainable growth, which is reflected throughout our domestic agricultural programs, foreign market development activities, and trade negotiation.

We have ruled out the "fire sale" approach for eliminating commodity surpluses, and instead adopted a grain reserve strategy. We have ruled out export embargoes in response to tightening supplies, and we have ruled out other "quick fixes" that may at best offer short-term solutions to long-term, complex issues.

A wheat cartel to control supply and raise prices sounds good if you forget that the four major wheat exporters—United States, Canada, Australia, and Argentina—control only about one-fourth of the world's wheat production. There are more than 100 other countries which can and will grow wheat if the price is right.

There could be short-term gains in some of those schemes, but the long-term effects for U.S. farmers would be a reduction, if not a loss of foreign markets that have been built up over the last two or three decades.

Gimmicks will not solve complex agriculture trade issues in an increasingly interdependent world. True progress comes only when nations work together to build international trade based on sound economic principles.

—By Secretary Bob Bergland

Japan still No. 1

Despite the public focus on farm exports to the Soviet Union, Japan is still the leading agricultural market for the United States. So far this fiscal year (October-June), the USSR is about equal to West Germany as a U.S. market—behind Japan, the Netherlands, and Canada.

With the flurry of publicity that follows every increase in sales of U.S. grain to the Soviet Union, there is a tendency to forget that Russia is only one of scores of countries that buy U.S. farm products. Japan bought more U.S. feedgrains last year than any other country, including Russia, and it has been doing that for the past 10 years or more. It is our best customer for wheat and second as a market for U.S. soybeans.

The United States shipped 20 million tons of wheat, feedgrains, and soybeans to Japan in 1978, 5 million tons more than to the Soviet Union; Japan's purchases were valued at $2.7 billion, compared with $1.6 billion in sales of these products to the Soviet Union.

But Japan didn't stop there. The Japanese bought well over $1.5 billion more in a wide range of U.S. products, including fruits, vegetables, nuts, and cotton, for total farm imports from us of $4.4 billion. Soviet imports other than wheat, feedgrains, and soybeans totaled about $100 million worth of U.S. agricultural products.

The Soviet Union is an important market, and it will continue to be important, but we must remain aware of all of our markets, some of which are in the billion-dollar class.

Large changes in Soviet agricultural production and import needs from year to year generate intense interest, and this is understandable. However, sales to the Soviet Union this fiscal year will represent only about 6 or 7 percent of total U.S. agricultural exports of around $32 billion.

That's the bottom line: $32 billion in foreign exchange, added farm income, and more jobs from the export of wheat, feedgrains, soybeans, livestock products, tobacco, cotton, fruits and vegetables, poultry. You name it, and American agriculture has got it.

We expect all of Asia, including China, to be a customer for almost $12 billion this fiscal year. That would be $2 billion more than Western Europe and only a little better than $1 billion short of all Europe and Russia combined. Sales to the Soviet Union this year are expected to be somewhat over $2 billion.

—By Secretary Bob Bergland

Adapted from remarks included in recent speeches by Secretary of Agriculture Bergland.

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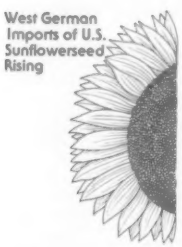

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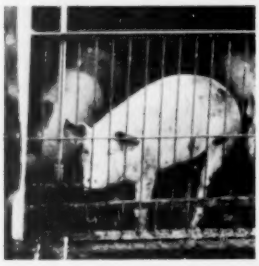

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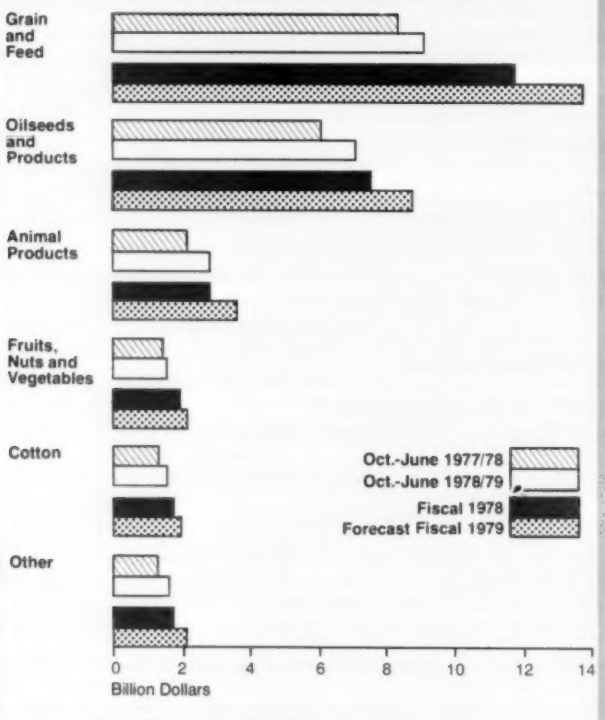

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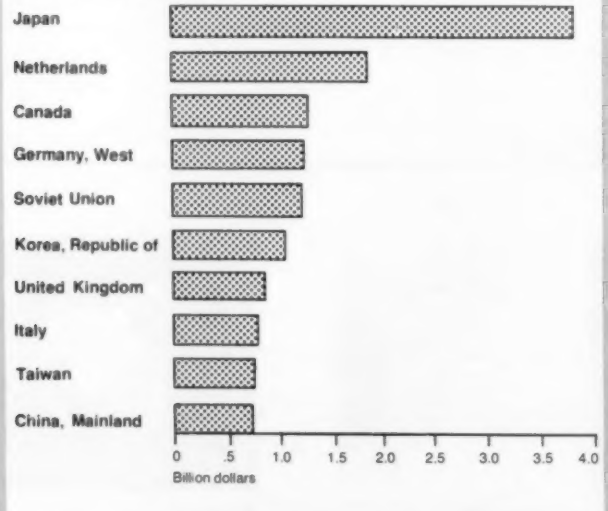

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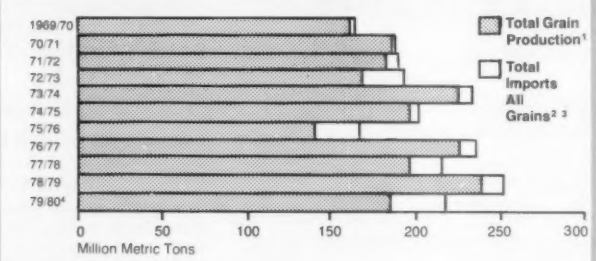

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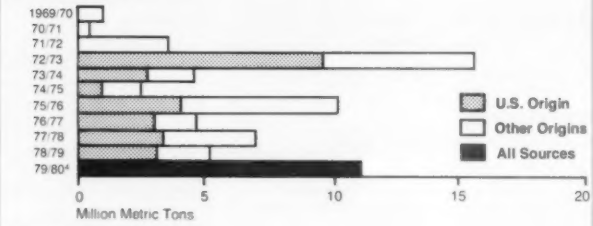

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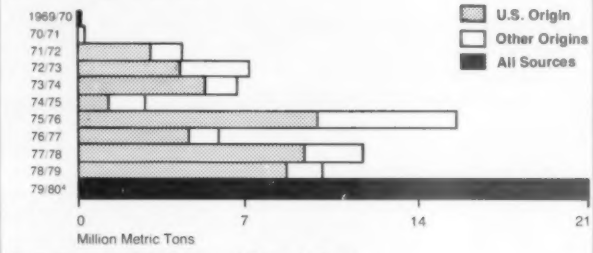

¹Production occurs during first year of indicated split year.
²Includes wheat, coarse grains, and rice.
³Imports are July-June.
⁴Aug. 10 forecasts.

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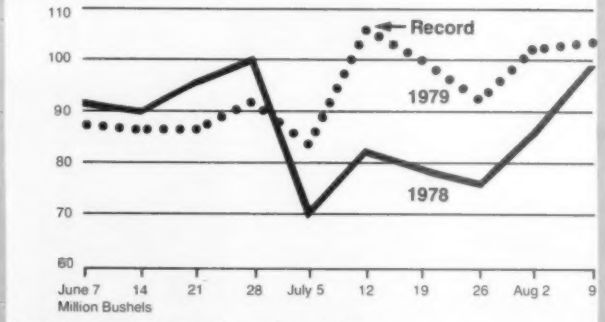

¹Grains include corn, wheat, sorghum, barley, and oats.
²Week ending on date given.

COMMODITY UPDATE

IN RECENT WEEKS, WORLD GRAINS HAVE MOVED IN THE DIRECTION OF SOMEWHAT EASIER SUPPLIES, moderated by continued strong demand. World grain production, including milled rice, is currently estimated at 1,388 million tons, less than 1 percent above last month's estimate, but 4 percent below that of a year ago. World trade, however, is now forecast at 190 million tons, 1 percent more than that of a month ago and 10 percent above last year's level.

Although world wheat production in major producing countries is expected to remain below last year's generally record levels, coarse grain prospects appear bright for some countries. The United States, China, Brazil, France and West Germany are all expecting near-record or record crops.

Since last month, the forecast of world grain trade for 1979/80 has been boosted by an increase in estimated trade levels for both coarse grains and rice. Wheat trade, which continues to be throttled by logistical constraints, remains forecast at 78 million tons, 8 percent above last year's record volume.

Relative to earlier forecasts, demand for coarse grains is expected to increase in the USSR and East Europe, and in Brazil and the Republic of Korea for rice.

By June 30, 1980, world stocks are expected to be about 14 percent of world utilization, compared with 16 percent a year earlier.

THE AUGUST WORLD OILSEED PRODUCTION FORECAST FOR 1979/80 WAS 176.7 MILLION METRIC TONS, 11 percent above the 158.6 million-ton 1978/79 output. Both larger harvested area and improved yields are expected to contribute to record crops for soybeans, sunflowerseed, and rapeseed. In addition, world cottonseed and peanut crops are expected to be above the 1978/79 levels. U.S. oilseed production during 1979/80 is forecast at 67.9 million tons, roughly 38 percent of world production.

The meal and oil equivalent of world oilseed and copra production, along with fishmeal and treecrop, animal, and marine oils, during 1979/80 is expected to reach 97.8 million and 41.6 million tons, respectively.

Through the first three-quarters of the current marketing year, U.S. exports of soybeans and products were above the year-earlier levels. September-June bean exports were up 6 percent, October-June meal exports up 10 percent, and October-June oil exports up 14 percent.

The total value of U.S. exports of oilseeds and associated products during October-June was $7.1 billion, compared with $6.0 billion a year earlier.

WORLD COTTON PRODUCTION IN 1979/80 IS PROJECTED AT 63.6 MILLION BALES, compared with 59.8 million produced in 1978/79. U.S. cotton production is expected to increase nearly 3 million bales over the 1978/79 level, while foreign production may increase about 1 million bales.

World cotton area is projected at 32.3 million hectares for 1979/80, slightly above the 32.2 million harvested in 1978/79. Expected area increases in the United States and Colombia may more than offset likely declines in India, Iran, Nicaragua, and Turkey. While some early season weather problems have developed in India, Pakistan, and the USSR, present indications are that world yields will exceed the 1978/79 level.

U.S. cotton exports for 1979/80 are forecast at 6.0 million bales (± 1 million), compared with 6.2 million shipped in 1978/79. In 1978/79, Japan was the largest market, taking over 1.2 million bales, with South Korea a close second.

U.S. spot market price in early August averaged 61 cents per pound for SLM 1-1/16", compared to 59 cents a year earlier. The northern Europe Index "A" averaged 77 cents a pound in August, 4 cents above the August 1978 average.

EC NONFAT DRY MILK (NFDM) INTERVENTION STOCKS, WHICH ACCOUNT FOR WELL OVER HALF OF THE WORLD'S TOTAL, have been declining dramatically in 1979. In mid-June, NFDM stocks amounted to 443,000 metric tons, down from 827,000 tons a year earlier.

Germany, which holds most of the NFDM stocks in the European Community, has experienced a 90,500 ton decrease from June 1978 stock levels. Even with this decline, Germany still holds almost 80 percent of the EC NFDM intervention stocks. This is mainly because the strong Deutcshe mark makes it more profitable for dairies of EC member countries to send NFDM for intervention to Germany, rather than selling it through their own national intervention agencies.

Despite increases in EC NFDM production of about 9 percent in 1978, EC NFDM stocks are at their lowest level since 1974, when ending stocks were 506,000 tons. This substantial decline has been achieved primarily through the aid of large subsidies which have made NFDM feeding to hogs and calves competitive with other protein sources such as soya meals.

A SMALLER WORLD TOBACCO CROP IS FORECAST FOR 1979. Early indications are that world production of unmanufactured tobacco will be down slightly in 1979 to 5.54 million tons, compared with 5.58 million metric tons in 1978. An expected 15 percent drop in both the U.S. and Turkish crops will not be entirely offset by anticipated increases in most other major producing countries.

World flue-cured output is projected to drop 2 percent in 1979 to 2.3 million tons. Oriental production is expected to decline 1 percent in 1979 to 948,000 tons. Burley production may be up 6,400 tons, an increase of 1 percent over the 1978 crop.

Prospects for the 1979 world flue-cured crop indicated a 2 percent reduction to 2.3 million tons. U.S. and Japanese crops are expected to be down 15 and 12 percent, respectively. Sizable increases forecast for the Brazilian, Rhodesian, and Polish crops will not be sufficient to counterbalance this drop.

Based on current indications, world burley production is estimated to be up 1 percent to 611,739 tons in 1979. Expected increased output in South Korea, Brazil, and Malawi will more than offset declines in the U.S. and Italian burley crops. The U.S. burley crop is projected to be down 6,500 metric tons in 1979.

THE EUROPEAN COMMUNITY IS EXPECTED TO RESUME IMPORTING CANNED MUSHROOMS from Korea shortly, ahead of schedule, in a move to prevent mushroom price rises and ensure a stable supply of canned product, Korean officials announced. This move was made in view of the growing shortage of inventories within the Community, officials at the Republic of Korea's Ministry of Agriculture and Fisheries said recently.

The officials said the EC had earlier agreed to consider allowing the resumption of mushroom imports from Korea on and after September 1. The Community had suspended imports of Korean mushrooms since June 26 last year to allegedly protect the mushroom industry in the EC.

In view of the EC's recent attitude regarding mushroom imports from Korea, the Ministry has asked the Korean Diplomatic Mission to the European Community to negotiate with EC authorities to increase the annual quota for mushroom imports from Korea to 5,500 tons, and to allow an additional 1,500-2,000 tons this year.

Africa's Declining Share Of World Peanut Output

By Abdullah A. Saleh

Africa's contribution to the world peanut supply has declined considerably since the mid-1960's—from 5.6 million metric tons, or 36 percent of the world total in 1965/66, to 4.6 million tons, or about 26 percent for 1978/79.

Although total African peanut production swung up and down during this period, there was a general downtrend in output and exports relative to world production and trade.

Africa's share of world peanut export market declined to 43 percent in calendar 1977 from 88 percent in 1968. During this period, the U.S. share expanded from 3 to 38 percent.

Africa's share of the peanut oil export market also has declined—from 78 percent in 1968 to 55 percent in 1977. The U.S. share of this market during the same period rose from virtually nil to 9 percent.

Repeated droughts have played a significant role in depressing yields, and disease infestations and institutional factors also have been important in curtailing output in several key producing countries.

Assessments of the peanut situation in the principal African producing countries of Senegal, Gambia, Nigeria, and Sudan follow:

Senegal. Currently, Senegal stands as the largest peanut producer in Africa and the world's leading exporter of peanut oil. About 70 percent of its farmers are engaged in peanut production. On average, area planted to peanuts exceeds 1 million hectares. For 1978/79, Senegal's peanut production is estimated at 1.1 million tons—a substantial improvement over the drought-stricken level of 677,000 tons produced in 1977/78 but about 300,000 tons short of the record outturn of 1975/76.

Since 1971/72, marketing of peanuts in Senegal has been conducted by a Government agency—the National Office of Cooperation and Assistance for Development (ONCAD), which influences production and marketing of peanuts by such devices as the setting of producer prices, subsidizing farm input costs, and extending credit.

Peanuts collected from farmers are delivered by ONCAD to the Societe Nationale de Commercialisation de Oleagineaux du Senegal (SONOCOS), a Government-industry organization in which ONCAD holds a 65 percent interest.

SONOCOS purchases commercial crops from ONCAD at prices based on world prices of crushing-quality peanuts, oil, and meal. It allocates the supply of collected peanuts to the various crushers who process peanuts for SONOCOS.

Peanut crushing in Senegal is handled by five private companies but marketing of the oil and meal products is under control of SONOCOS. These crushing facilities have a total capacity of about 1.1 million tons.

The mills, locations, and capacity (in tons) of each:

Lesieur Afrique, Dakar, 400,000; SODEC, Lyndiane-Kaolak, 350,000; V. Q. Peterson, Dakar, 150,000; STEC, Ziguinchor, 100,000; and SIEB, Diourbel, 60,000.

An estimated 875,000 tons of Senegal's 1978/79 peanut production of 1.1 million tons have been procured by ONCAD as a commercial crop, and the remainder—about 20 percent of production—is accounted for by on-farm consumption, seed, and waste.

Senegal's peanut oil consumption in 1978/79 is estimated at 57,000 tons, leaving 223,000 tons for export. Virtually all of the 330,000 tons of meal produced is for export. Edible peanut exports are about 20,000 tons annually.

Because of late-season rains in January 1979, about 20 percent of the harvested peanuts piled in fields became infested with mold, and the resulting deterioration is expected to be reflected in higher levels of acidity in the oil and aflatoxin in the meal.

Peanut oil produced in Senegal usually has an acidity level of 0.5-1 percent, but this year's acidity level may reach around 2-3 percent. As a result, this oil may have to be discounted to sell in world markets.

In 1977/78, the European Community threatened to restrict imports of peanut meal from Senegal because aflatoxin had been detected in some shipments. This year's heavy rains and resulting mold infestations have produced lower quality meal. Because of this, Senegal is not expected to find normal demand for its meal and may have to look for new markets to clear its available supplies.

Exports of peanuts and peanut products account for more than half of Senegal's annual export earnings, and any decline in either production or exports would be a severe blow to the country's economy.

To minimize its dependence on a single crop, the Government's current 5-year plan (1977-81) calls for diversification of crops and increases in production of cereal grains. It also envisages expanded output of edible peanuts and aims at stabilizing total peanut production at about 1.2 million tons, with emphasis on improvement of quality.

Since 1974, the producer price for crushing-quality peanuts has remained at the equivalent of 9-10 U.S. cents per pound.

Gambia. Although it is a relatively small producing country, Gambia is heavily dependent on its single crop—peanuts. In 1977, about 83 percent of the country's export earnings were supplied by the peanut industry.

In 1978/79, Gambia harvested only 145,000 tons of peanuts from about 100,000 hectares, but it ranks among the significant exporters of peanuts and peanut products. Estimated exports for the 1978/79 marketing year are:

Fair-average quality (FAQ) peanuts for crushing, 30,000 tons; hand-picked, selected (HPS) peanuts, 3,500 tons; peanut oil, 15,000 tons; and peanut meal, 20,000 tons. Production for the 1978/79 year was a distinct improve-

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Dr. Saleh, who recently returned from a survey of peanut production in four African countries, is an agricultural economist in the Oilseeds and Products Division, Commodity Programs, FAS.

From top: Loading peanut oil and meal at Dakar, Senegal, for export. Trucks loaded with shelled peanuts leaving the weighing scale at a Dakar crushing mill. Peanut and cottonseed stocks ready for crushing at a Kano, Nigeria, mill. Peanuts for crushing near Banjul, Gambia.

ment over the 1977/78 outturn, which amounted to only 94,000 tons because of a drought.

Gambia's wet season—like Senegal's—extends from June through October. Planting starts in June, and harvest is in November. As in Senegal, harvested peanuts piled in fields during November-January were damaged by untimely rains, and mold infestations may have caused aflatoxin problems—a major obstacle to marketing peanuts and peanut meal in Western Europe.

Gambia is a member of the African Groundnut Council, along with Senegal, Niger, Nigeria, Sudan, and Mali. The Council provides an information service to members as part of a promotional campaign to extend the use of peanuts and peanut products in the major European markets, and serves as a medium of informational exchange between the member countries and the food and feed sectors of importing countries.

Peanut marketing in Gambia is coordinated through the Gambia Produce Marketing Board (GPMB).

The producer price for 1978/79 was the equivalent of about $210 per long ton or about 9.4 cents per pound, only slightly higher than the price per pound paid to producers in Senegal.

Nigeria. Although it was the leading African producer-exporter of peanuts in the 1960's, Nigeria currently is an importer of vegetable oil. Peanut production has suffered severe setbacks since the mid-1970's, and commercial production has collapsed almost to nil.

The decline in production is attributed to several factors, the most important of which are:

- Lack of high-quality seeds that are early maturing and disease-resistant.
- More attractive returns from such crops as sorghum and millet.
- Shortages of such inputs as labor, fertilizer, and chemicals.
- Lack of adequate credit.
- A shift in weather patterns characterized by repeated droughts.

Nigeria's main peanut production area around Kano in recent years has turned into a near-desert because of inadequate rainfall. Repeated crop failures have induced shifts in cropping patterns, mainly diverting land from peanuts to other crops that require less labor and entail less risk.

Fungus and virus diseases spread with little deterrent. Although scien-

tists have been able to develop disease-resistant seed varieties suited to Nigeria's climate, the Government has not provided sufficient funds for seed multiplication. As a result, high-quality seed is scarce and farmers are compelled to use traditional varieties that have lost their ability to resist disease.

Peanuts are a labor-intensive crop, compared with millet and some other crop options. Higher per capita income, resulting from higher petroleum prices in recent years, has boosted the standard of living and large numbers of farm workers have migrated to the cities, leaving a labor deficit in agricultural areas.

Also, peanut production has become more costly and less profitable. Irrigated areas suitable for peanut production are also economically attractive for vegetable production, which provides better returns. These factors—together with inadequate supplies of credit and fertilizer—have led to the decline in Nigeria's output of peanuts.

Crushing capacity is not a limiting factor in Nigeria. Total seed crushing capacity, accoring to trade sources, is about 1 million tons and is located mainly in the northern region around Kano.

Although peanuts are now exempt from import duties, other oilseeds and their products are still subject to relatively high tariffs.

Nigeria currently is meeting the deficiency in its vegetable oil requirements by importing such oils as soybean, rapeseed, peanut, and occasionally palm. Consumer tastes are changing, and urban dwellers now prefer refined soybean oil to the traditional vegetable oils.

The most viable solution to the Nigerian vegetable oil deficit probably would be restoration of free-market production and trade.

Sudan. Africa's largest country in terms of area, Sudan has tremendous potential for expanding both crop areas and yields.

Sudan's oilseed crops include peanuts, sesame, cotton, and castor. Peanut production is the second highest in Africa, and its peanut exports rank second to the United States on a world basis.

Peanut production for 1978/79 is estimated at 829,000 tons—down about 19 percent from the 1977/78 crop of 1.021 million tons. Much of the decline was attributed to lower yields in irrigated areas, but a shortage of fuel to operate irrigation equipment was also a limiting factor.

Irrigated area in 1978/79 declined to 134,820 hectares from 159,000 hectares in 1977/78, with yields averaging 1,919 kilograms per hectare in 1978/79, compared with 2,671 kilograms per hectare in the previous year.

Yields in rain-fed areas, however, were better in 1978/79 than in 1977/78, averaging 674 kilograms per hectare compared with 630 kilograms per hectare in the previous period. The irrigated share of total peanut production declined to 31 percent in 1978/79, compared with 41 percent in 1977/78.

The domestic Sudanese oilseed market is competitive, but the export market is contolled by the Sudan Oilseed Company, in which the Government holds 58 percent control and the private sector 42 percent. It is the sole exporter of peanuts, sesameseed, and castor beans.

In contrast, Sudan's vegetable oil industry is market-oriented in both the domestic and export markets.

On average, about one-third of Sudan's peanut exports are HPS and about two-thirds are FAQ. A significant proportion of the HPS exports goes to the Middle East, while the bulk of the FAQ production is shipped to Europe.

Sudan's main source of vegetable oil is cottonseed. Exports of cottonseed oil have been nil in recent years because of domestic demand for this oil. There is some crushing of sesameseed for oil in years of low cottonseed supply.

In 1974/75, 40,000 tons of FAQ peanuts were crushed for oil by domestic expellers, but consumer acceptance was poor. Given the consumer preference for cottonseed oil, any increase in peanut oil production in the future would likely be channeled to the export market.

Two mills at Port Sudan crush peanuts and produce oil in crude form for overseas shipment. There are about 20 cottonseed crushing facilities—mostly in the Khartoum region—that also crush peanuts and sesameseed from domestic production.

Most of Sudan's oilseed meal production is utilized in domestic output of mixed feeds. Oilseed meal exports average about 150,000 tons per year.

Sudan has a potential export capacity of about 300,000 tons of peanut kernels and 200,000 tons of sesameseed. Sudan is the world's largest exporter of sesameseed.

However, Sudan plans to expand peanut oil exports and peanut production, the latter mostly in irrigated areas, where yields are about four times the yields in rain-fed areas. □

Africa: Unshelled Peanut Production in Selected Countries, 1972/73-1978/79

	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79
	1,000 MT	*1,000 MT*	*1,000 MT*	*1,000 MT*	*1,000 MT*	*1,000 MT*	*1,000 MT*
Gambia	102	140	140	137	125	94	145
Malawi	165	165	165	165	165	165	165
Mali	150	100	120	178	119	120	150
Niger	195	77	129	42	79	82	82
Nigeria	1,125	340	530	332	350	390	315
Senegal	610	700	994	1,424	1,182	677	1,100
South Africa	197	536	256	146	240	311	222
Sudan	568	553	928	932	740	1,021	829
Zaire	180	200	230	268	289	295	295
Subtotal	3,292	2,811	3,492	3,624	3,289	3,155	3,303
Other	1,394	1,382	1,366	1,368	1,251	1,261	1,301
Total	4,686	4,193	4,858	4,992	4,540	4,416	4,604
World total	15,439	16,556	17,052	18,852	16,967	17,193	18,012
	Pct	*Pct*	*Pct*	*Pct*	*Pct*	*Pct*	*Pct*
Africa's share of world total	30	25	28	26	27	26	26

Source: Oilseeds and Products Division, Commodity Programs, FAS.

More Boom Years Ahead for Brazil's Orange Juice Exports

By John H. Wilson

A pause may be in store for Brazil's heretofor-booming exports of frozen concentrated orange juice, as a result of a reduced orange crop in São Paulo State—source of about three-fourth's of Brazil's total production. But that trade interruption is likely to be brief, since orange output is expected to rebound in 1980/81 and go on to achieve strong gains in the early 1980's.

This, in turn, implies further inroads in a world market where Brazil surpassed the United States in 1968 as the top exporter and then 10 years later sold more frozen orange juice to the United States than to any other outlet. To capitalize on this continuing strong world demand, Brazilian processors are moving ahead with plans to expand and modernize their industry.

Following a record output of 150 million boxes of oranges last season, São Paulo's 1979/80 orange crop is seen declining about 15 percent because of poor flowering during August and September. However, the good rains in July, coupled with new trees entering the bearing stage, indicate a rebound to the 150-million-box level in 1980.

Total commercial production eventually could hit 220 million to 240 million boxes by the mid-1980's as new plantings come into bearing north of Bebedouro in São Paulo and near the town of Frutal in Minas Gerais. Between 75 and 80 percent of commercial orange production in São Paulo State is processed into frozen concentrated orange juice (65° Brix), and almost all is exported.

This anticipated production growth—amounting to a gain of between 45 and 60 percent by 1985—means that Brazil will have that much more juice to dispose of, either in world or domestic markets. The key question now is: Where will the additional output go, especially in view of a prospective rebound in Florida production from the freeze-reduced levels of the last two seasons?

That freeze, in January 1977, caused subsequent Florida crops to fall sharply from the 1976/77 outturn of 186.8 million boxes. As a result, U.S. imports of Brazilian frozen concentrate orange juice rose sharply. By 1978, the United States had emerged as Brazil's No. 1 buyer of frozen concentrated orange juice, taking 148,000 tons or 44 percent of that country's total exports, compared with 22 percent the previous year and 8 percent in 1976.

The resultant price differential between domestic and imported juice made it attractive for U.S. importers and processors to buy Brazilian juice and still pay the U.S. duty of 35 cent per gallon of natural juice. This is roughly equivalent to 34 cents per pound (solids) of concentrates.

U.S. imports in the upcoming season will depend on the size of the 1979/80 crop in Florida. Assuming a larger crop, Brazilian exports to the United States will more than likely decline.

Brazilian trade sources, however, are optimistic that the U.S. market will be maintained at a relatively high level during the next several years, despite occasional fluctuations in demand. They feel that the trend toward increased U.S. consumption of orange juice, coupled with population growth, will help maintain sales here even when U.S. production returns to normal levels.

Moreover, the Brazilians do not expect Florida production to exceed the 1976/77 level by more than 10 million boxes because of a downward trend in bearing acreage—from 660,000 acres in 1970/71 to 579,000 in 1977/78.

Elsewhere, trade prospects also are promising. The Brazilians see per-capita consumption increasing in both Western Europe and Canada, at least into the mid-1980's, largely as a result of a trend in consumer preference away from fresh oranges to juice. Orange juice consumption in Canada, for example, rose 84 percent between 1971 and 1977, and during 1976-78 Brazil's share of the Canadian market jumped from 35 to 54 percent.

Brazil also is looking more seriously to Eastern Europe as a viable market because of low per capita consumption there, and one major firm expressed interest in stepping up shipments to Japan.

The industry also plans to market more juice domestically. A 1-liter tetra-brik pack of concentrated orange juice is currently being test-marketed in Belo Horizonte, and 1-liter and half-liter tetra packs of single-strength juice are being test-marketed in Rio de Janeiro.

No promotional campaigns exist at present for these products but the industry is aware of the need for advertising to stimulate demand.

Brazilian processors, meanwhile, are gearing up for the expected surge in domestic production. Existing orange-juice plants are expanding their processing capacity, and a few smaller plants will be constructed. As a result, the number of extractors in São Paulo State is expected to increase from the current level of 447 to 595 by the middle of next season.

Two of the largest firms are installing tank farms (consisting of 20 to 30 100,000-gallon cold-storage tanks) so as to reduce handling costs, obtain consistent blends, and facilitate the transfer of juice in bulk. Such tank farms have been in existence in Florida for the past 5 years, but never before in Brazil

By the middle of next season, one major firm plans to export a sizable portion of its output to Europe in bulk, rather than in the conventional 52 gallon drums. The frozen slush juice will be transported from the plant by truck at temperatures well below freezing to the port of Santos in fiberglass containers holding 20 to 22 tons each. The

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The author—an agricultural economist, Horticultural and Tropical Products Division, FAS—has just returned from a survey trip to Brazil's major orange producing regions.

juice will be pumped and stored at Santos in 100,000-gallon tanks (currently under construction) and later discharged directly into a vessel specially adapted for bulk transport of concentrated juice.

When the ship reaches its destination, the concentrated juice will be discharged into another tank farm and then transported by truck to various bottlers.

Officials of the plant have indicated that they expect to save $80 to $100 per ton, or 10 percent of the f.o.b. price of orange juice, when the bulk transportation system is fully operational. The savings will be from not having to bear the high cost of handling of the drums.

Officials also anticipate lower fuel costs and have indicated that bulk transportation will ensure a better quality product because of reductions in contamination and heat loss. □

Brazilian Exports of Frozen Concentrated Orange Juice, Calendar 1976-78

[In 1,000 metric tons]

Market region	1976	1977	1978
United States	17	47	148
Canada	16	21	34
European Community	125	100	95
Other Western Europe	27	30	32
Eastern Europe	5	4	2
Israel	15	6	9
Other	5	6	16
Total	210	214	336

Source: Bank of Brazil (CACEX)

Number of Extractors Per Orange Juice Processing Plant in Sao Paulo State, Brazil, 1979/80 and 1980/81

Location of plant	Extractors 1979/80	1980/81
Araquara	84	84
Araras	28	28
Bebedouro:		
Plant A	60	80
Plant B	48	71
Plant C	0	10
Colina	48	96
Limeira:		
Plant A	44	44
Plant B	24	24
Matao:		
Plant A	12	24
Plant B	4	8
Plant C	83	83
Olimpia	0	10
Santo Antonia do Posse	12	12
Sao Jose do Rio Preto	0	18
Sao Paulo	0	2
Total	447	595

Higher Livestock Costs Curb Korea's Imports

Higher costs are dampening South Korea's plans to increase livestock imports this year, according to Gerald W. Sheldon, U.S. Agricultural Attaché in Seoul. Importers are hesitating to push ahead with their calendar 1979 plans to import 30,000 head of dairy breeding cattle and 10,000 head of beef breeding stock in the face of higher prices for imported animals, rising input costs, and relatively small increases in Korean livestock prices.

Korea's imports of cattle in 1978 were 32,339 head, including 28,000 head of dairy stock and 4,339 beef animals. The U.S. share was 16,500 head of dairy cattle (59 percent) and 1,525 beef animals (35 percent).

Imports of beef in 1978—mostly from Australia and New Zealand—jumped to 45,000 metric tons from about 8,000 tons in 1977. The U.S. share—mainly for the hotel and restaurant trade—was only 473 tons. The Government forecasts 1979 beef imports at 62,800 tons, including about 600 tons of high-quality beef for hotels and restaurants.

South Korean cattle population at yearend 1978 was 1.8 million head, up 10 percent from the year-earlier level. The increase is attributed to continued strong consumer demand for beef and dairy products, and Government bonuses for newborn beef calves. The Government projects cattle numbers by yearend 1979 at about 2 million head.

Cattle slaughter in 1978 at 367,000 head was up 12 percent from the 1977 level, producing 83,995 tons of beef—8 percent more than in 1977.

Imports of breeding swine in 1978 were 6,439 head—5,149 from Japan and 1,290 from the United States. The Government import target for 1979 is about 2,000 head.

Swine numbers at yearend 1978 totaled 1.7 million head, 16 percent higher than the year-earlier level. Slaughter, reflecting strong consumer demand for pork, in 1978 jumped 28 percent from the 1977 level to about 3 million head.

Pork imports in 1978 were 8,555 tons, of which 4,820 tons were supplied by the United States and the remainder by Taiwan and Australia. The Government's original plan to import 12,000 tons in 1979 was dropped in mid-March after the arrival of 9,000 tons (5,800 from the United States, 3,200 from Taiwan) because of a sharp decline in prices for domestic pork.

Poultry numbers at yearend 1978 totaled 40.8 million, 35 percent more than the year-earlier level. Poultry meat production during the same period increased 22 percent to 88,846 tons. The Government projects 1979 output at 19 percent over the 1978 level.

Korea's domestic hide production in 1978—representing only 4 percent of the total hide supply—was insufficient to meet even domestic requirements. Imports of raw hides and skins in 1978 rose to 149,313 tons, up 26 percent from the 1977 level in spite of a 65 percent import price increase and relatively low availability in such major supplying countries as the United States and Australia. The U.S. share of imports in 1978 was 75 percent, compared with 79 percent in 1977.

The Korean hide industry has indicated that the difficulty in obtaining raw hides and skins—resulting from a 40 percent price rise in the first quarter of 1979 and reduced supplies from import sources—has caused the hide tanning industry to operate at only 60 percent of capacity. As a result of this difficulty, raw hides and skin imports in 1979 may decrease by at least 20 percent from 1978 levels to about 130,000 tons. □

EC Defers Hard Decisions, Sets 1978/90 Programs and Prices

By Dan Conable

More than $7 billion worth of U.S. agricultural products were exported during 1978 to the nine European Community (EC) countries—together, the largest market for U.S. farm products. In the EC a single agricultural policy framework guides the production and marketing of farm products, and each spring representatives of EC countries meet to hammer out a new price package for the coming marketing year that will affect levels of crop production, degrees of market access for many agricultural imports, and patterns of competition in third-country markets. This article reports on the EC's most recent price-package negotiations.

Top: Harvesting wheat in France: Bottom: Livestock buyers and sellers on market day in Hoorn, the Netherlands.

The European Community Council of Agricultural Ministers has set an across-the-board increase of 1.5 percent in agricultural support prices for all products outside the dairy sector for the 1979/80 marketing year.

Meeting from June 18 to 21 for its annual price negotiations, the Council approved the smallest price increase in years, but rejected a call by the Commission—the Community organ charged with the implementation of common EC policies—for a complete freeze in support prices.

Only prices for milk and milk products were held at 1978/79 levels, while Commission suggestions for an increase in the co-responsibility levy (a tax intended to discourage surplus milk production on all milk delivered to dairies or processed on the farm) was rejected as well.

The combined effect of the Council's 1979/80 price and subsidy decisions will be an estimated increase in budget outlays for agricultural price support and subsidy measures in 1980 to $14 billion, $1 billion above the amount budgeted for 1979.

The increased expenditures stemming from the Council's decisions will hasten the day—now anticipated as early as 1981—when the Community must look beyond its income from customs duties, agricultural levies, and the remittance of 1 percent of Member States' value-added tax (VAT) collections to make ends meet.

ECU prices. Common EC support prices for 1979/80 have been announced in terms of European currency units (ECU's), replacing the agricultural units of account (a.u.a.'s) in which prices and levies were denominated before the new European Monetary System went into effect (*Foreign Agriculture, May 1979*). To compare old a.u.a. prices with new ECU prices, it is necessary to multiply the a.u.a. prices by the coefficient 1.208953. The dollar value of 1 ECU was about $1.35 in mid-July 1979.

The 1.5 percent increase in common prices, spelled out in ECU terms, will mean different things in different countries, since—as in previous years—general price decisions were accompanied by a number of changes in the green rates of exchange used to

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translate ECU prices into national currencies.

Revaluation of green rates outside the dairy sector for West Germany and the Benelux countries will reduce the effective price increase caused by the 1.5 percent hike in ECU prices by 1 percent and 0.5 percent, respectively.

Green rate devaluations for the United Kingdom, France, and Italy will result in price support increases in those countries of 5.3 percent, 1.5 percent, and 4.4 percent, respectively, in addition to the 1.5 percent increase in common prices.

These gains follow increases resulting from devaluations ranging from 3.6 percent (France) to 5 percent (Italy and the United Kingdom), agreed to in April. Only in the cases of Denmark and Ireland do increases in ECU prices translate into higher national currency support prices of about the same 1.5 percent magnitude.

The calculation of actual price levels in effect in the various Member States has been further complicated by elaborate staging of when different green rates will take effect for different commodity sectors.

This elaboration reflects the continued drift in the Common Agricultural Policy (CAP) into ever more subtle mechanisms designed to reconcile the disparate (and often conflicting) demands of national farm and agri-business interests with the formal requirement of maintaining common EC rules and administrative procedures.

Surplus problems. The EC Commission, with strong initial support from the United Kingdom, proposed a freeze on all agricultural support prices in an attempt to halt a steady growth in the cost of the CAP, and to discourage surplus production of such commodities as milk, sugar, olive oil, wine, tobacco, wheat, barley, and rye.

The EC meets its farm income goals through a policy of unlimited purchases of most field crops and livestock products at set intervention prices. This price policy is supported by variable levies that raise the price of imports enough so that they cannot undercut target prices for domestic producers.

Previous price decisions by the Council of Ministers have pushed EC farm prices far above world market levels for most products, thereby creating a prosperous agricultural sector in those regions where field crops and livestock products predominate, but distorting agricultural markets at the same time.

When intervention purchases result in the accumulation of surplus stockpiles, the Community must bear the expense of storage until outlets can be found, either through charitable donations, by denaturing or processing the surplus products into other products with lower values (Bread wheat and nonfat dry milk—NFDM—into livestock feed; wine into industrial alcohol), or as subsidized commercial exports. Other agricultural exporters have maintained that in the past EC export subsidies have had a disruptive effect on third country markets.

Dairy policy. The results of a policy of unrealistically high support prices have been particularly apparent in the case of the EC milk marketing regime. Steadily increasing Community milk production—currently running 16 percent in excess of domestic consumption—has put mountains of butter and NFDM into the hands of intervention agencies and in subsidized private storage.

Intervention. NFDM stocks in July 1979 stood at 444,000 metric tons, down substantially from 1978 levels—thanks in part to subsidies that encouraged the use of EC NFDM in animal feeding—but still at an uncomfortably high level. Despite special programs to increase domestic butter consumption and commercial exports at subsidized prices, butter intervention stocks were more than 400,000 tons on June 11—substantially higher than the year-earlier total.

Management of the EC dairy regime has become a focal point of internal criticism of the Common Agricultural Policy, since the dairy program is expected to consume about 39 percent of total CAP price support expenditures in 1979 (44 percent in 1980), while agriculture as a whole absorbs three-fourths of the entire EC budget.

The Commission's proposals for the 1978/79 marketing year included a modest increase in support prices in the region of 2 percent, and a suspension of intervention buying of NFDM.

In its price negotiations in May 1978, the Council of Ministers accepted the price proposal, but refused to suspend intervention buying of NFDM, and went on to lower the milk coresponsibility levy, instituted in 1977 to discourage the growth in milk marketings, from 1.5 to 0.5 percent.

The Commission put forth further proposals for dealing with the imbalance in the milk market later in 1978, but a consensus has failed to emerge because of debate within the Community over such issues as the needs of small versus large producers, efficiency goals versus income goals, the wisdom of production quotas versus a decrease in real prices, and the use of native forage versus imported concentrate feeds. Before the 1979/80 price package negotiations, the Commission proposed an increase in the coresponsibility levy to 5 percent, in addition to the price freeze sought for all commodities.

The Council accepted the suggestion for a freeze in prices for milk and milk products for the 1979/80 marketing year, but rejected any change in the coresponsibility levy for the time being, agreeing only that if 1979 milk deliveries to dairies exceeded 1978 deliveries by more than 2 percent, the coresponsibility levy would rise by 1 percentage point in 1980/81. (Such prospective price arrangements have more symbolic than practical significance, since they can be overridden in the next round of annual price negotiations.)

The Council also agreed to examine the suggestion that an increased coresponsibility levy be charged only on a quantity exceeding a new production limit for each farm, expressed in liters of milk per hectare of land on the farm under fodder. Such a plan would tend to discriminate against dairy farms that rely largely on purchased compound feeds for milk production.

Other Council decisions in the dairy sector included increased Community support for a school milk program and butter subsidies of about 28 cents per pound for the United Kingdom to be financed entirely from Community funds, and a choice of either a short-term subsidy (e.g., around the Christmas season) of about 55 cents per pound with complete EC financing, or a general butter subsidy of about 37 cents per pound for the whole year with 75 percent support from common funds, for the other Member States.

A Commission proposal to include 55,000 tons of butter oil in the Community's food aid program will be considered in the near future.

Few observers expect that these measures, taken together, will solve the market imbalance in the dairy sector, where production rose 4 to 5 percent in 1978, and is expected to increase as much in 1979. The Commission has promised new proposals on the milk problem for Council consideration in the fall.

In addition to the general increase in ECU support prices except in the dairy sector, the Council announced policy decisions affecting a number of other commodity areas:

Grains. Although ECU intervention prices were increased by only 1.5 percent, changes in transportation cost elements have resulted in increases in target prices ranging from 2.3 to 2.7 percent for grains other than rice.

These increases have in turn raised the thresh- old (minimum) prices for imports—which are derived directly from the target prices—by an average of 2.5 percent, ranging from a 2.2 percent increase in the threshhold price for Durum wheat (now $369 per ton) to a 2.6 percent increase in the threshold price applicable to both barley and corn ($241.50 per ton at the beginning of the 1979/80 marketing year).

ECU prices for rice in 1979/80 were an exception to the general 1.5-percent rule, with an increase of 3.33 percent in the intervention price for milled rice, and 4.96 percent in the target price for producers.

The special levy reduction for feedgrain imported into Italy by sea was increased to roughly $8 per ton. The Council agreed to maintain a premium of about $14.50 per ton for rye of bread-making quality, while allowing the Commission to take steps to keep the market price of rye at about the 1978/79 intervention price level despite the intervention price increase.

Sugar and isoglucose. In reviewing the sugar sector, the Council again declined to take steps suggested by the Commission to reduce economic incentives to surplus production, as it had in the case of the dairy sector.

The EC normally produces almost 20 percent more sugar than it consumes, and is further committed to the purchase of 1.2-1.3 million tons of sugar annually from the African, Caribbean, and Pacific (ACP) countries that benefit from the EC's Lomé Convention agreement with former colonies.

In keeping with the price rise for domestic sugar production, the price guaranteed for ACP sugar has been increased by 1.5 percent to 26 cents per pound for white sugar and 21 cents per pound for raw sugar.

The present EC sugar policy—unaltered in its broad structure by 1979/80 price decisions—required the EC to export an estimated 3.5 million tons of sugar (white basis) with the aid of export subsidies in 1978/79. The Commission had suggested a decrease in the "B" quota for sugar—the level of production beyond which refiners are forced to export their sugar without benefit of export subsidies.

Following a ruling by the European Court of Justice that a production levy of 10 a.u.a. per ton designed to discourage isoglucose (high-fructose syrup) production was illegal, the EC has revised its isoglucose regulations to make them analogous to those that apply in the sugar sector.

Production quotas have been established for the Community's isoglucose industry, with a production levy of 48 ECU ($64.80) per metric ton on any isoglucose produced in excess of 140,000 tons. Export subsidies for Community isoglucose will be available, but not for production outside the "B" quota of 178,500 tons.

Beef and pork. Aside from the 1.5 percent increases in the guide price for cattle and the basic price for pork, no significant changes were made in the beef and veal or pork regimes. However, the basic price increase for pork will not take effect until November 1, 1979, the start of the pork marketing year. The special pork green rate for France resulted from the Council's 1978 price deliberations, when several special adjustments in green rates for pork only were made in response to problems in the pork sector of various countries.

Oilseeds. Programs for sunflower, colza and rapeseed, castor seed, linseed, and cottonseed were continued, along with the general price increase. The subsidy for soybeans, however, will now be based on actual production, rather than on a theoretical standard yield.

The ECU intervention and production target prices for olive oil were increased 1.5 percent, along with the production aid. As a result of the green-rate changes in April and June, this change will result in an 11.5 percent increase in lira prices in the major olive producing country, Italy.

A new consumption subsidy for EC olive oil, equal to the difference between a set representative market price and the producer target price less the production aid, went into effect April 1, 1979. No change was announced in the consumption subsidy after the price negotiations, but the

Green Rates of Exchange for EC Agriculture
(situation on Sept. 1, 1979)

Country	Exchange rate	MCA percentage
West Germany	1 DM=.359271 ECU[1]	9.8
	1 DM=.355326 ECU[2]	10.8
Belgium/Luxembourg	1 BF/Lux F=.024634 ECU[1]	2.8
	1 BF/Lux F=.024498 ECU[2]	3.3
Netherlands	1 f.=.357252 ECU[1]	2.8
	1 f.=.355292 ECU[2]	3.3
France	1 F=.181501 ECU[3]	3.7
	1 F=.184265 ECU[4]	5.3
	1 F=.175052 ECU[5]	0
Italy	100 Lit.=.095343 ECU[6]	variable
	100 Lit.=.099502 ECU[4]	
United Kingdom	1 L stg.=1.72039 ECU[6]	variable
	1 L stg.=1.90625 ECU[4]	
Ireland	1 L Ir=1.53177 ECU	0
Denmark	1 DKr=.141125 ECU	0

[1] Applies to all sectors except pork, wine, fisheries, and milk. Effective for pork on Nov. 1, wine on Dec. 16, and fisheries on Jan. 1, 1980. [2] Remains in effect for pork until Nov. 1., wine until Dec. 16, 1979, fisheries until Jan. 1, 1980, and milk until further notice. [3] Applies to all sectors except pork, wine, and fisheries. Effective for wine on Dec. 16, and fisheries on Jan. 1. [4] Remains in effect for wine until Dec. 16, and fisheries until Jan. 1. [5] Applies to pork sector only. [6] Applies to all sectors except wine and fisheries. Effective for wine on Dec. 16, 1979, and fisheries on Jan. 1, 1980.

subsidy is likely to change when the new representative market price is announced on or before October 1.

Fruits and vegetables. Under the CAP, the prices of imports of a number of fresh fruits and vegetables, including cauliflower, cucumbers, tomatoes, peaches, lemons, oranges, tangerines, pears, table grapes, and apples are monitored to assure that they meet reference (minimum import) price levels. The Commission will examine the possibility of establishing reference prices for eggplants, courgette squash, green peppers, and bell peppers.

When imported fruits or vegetables from a given source sell below the reference price in the Community, a compensatory tax, similar in effect to a variable levy, is imposed on the product from that origin. Formerly, those taxes could be lifted by administrative decision when 6 days had elapsed without imports from that source, but the Council agreed that in the future countervailing taxes will be removed only after they have actually been in effect for 2 days.

In the 1978/79 price negotiations, the Council established processing subsidies for canned tomatoes, tomato juice, tomato concentrates, canned peaches, and dried prunes. For the 1979/80 marketing year, processing subsidies have been extended to tomato flakes, frozen peeled tomatoes, tomato juice with a concentration from 7 to 12 percent, William pears, and cherries in syrup.

Starch products. Along with 1.5 percent increases in ECU production subsidies for grains used in starch manufacture and minimum producer prices for potatoes used in starch manufacture, the special premium for potato starch required to make that product competitive with corn starch has been increased 40 percent to about $23 per ton.

U.S. starch manufacturers filed a countervailing duty petition with the U.S. Treasury in December 1978, alleging that EC and national subsidies for starch manufacture give dextrines and other converted starches from the Netherlands an unfair competitive advantage over starch produced by U.S. manufacturers.

Manioc. The Council approved the Commission's position on manioc imports (calling for the deconsolidation of the 6 percent duty bound in the General Agreement on Tariffs and Trade for imports in excess of current levels), but with the Netherlands reserving its position on the issue.

Manioc imports—chiefly from Thailand, which recently agreed to hold its manioc exports to the EC at current levels—have tended, with the help of imported vegetable protein (largely soybean meal), to replace the EC's more expensive feedgrains in livestock rations. Community grain farmers have been pressing for restrictions on imports of manioc and other nongrain feed ingredients.

Future decisions. In addition to studied inaction on the overall problem of price levels and attendant surpluses in dairy and other agricultural sectors, the Council of Ministers also deferred decisions on a number of other questions, including:

- A group of Commission proposals to restructure the wine sector;
- The establishment of Common Agricultural Policy regimes for sheepmeat, alcohol, and potatoes, all of which have been under discussion for several years; and
- A revision of programs for regional aids and structural reforms for agriculture in the Community.

The Council will attempt to act on all of these matters before the end of 1979. The reconsideration of present EC aid programs for less developed agricultural regions in the Community must be carried out in the context of plans for the enlargement of the Community to include Greece, Spain, and Portugal within a decade. □

U.S.—Financed Farm Exports Decline

Exports of U.S. farm products under concessional Government-financed programs are projected at $1.5 billion for 1978/79 (Oct.-Sept.)—3 percent below the previous year's total—as a large decline in Agency for International Development (AID) disbursements offset the rise in P.L. 480 shipments.

Exports under P.L. 480 for fiscal 1979 are forecast at $1.1 billion, about 8 percent higher than the year-earlier total, with most of the increase occurring in Title II donations. The quantity of P.L. 480 shipments is estimated to be somewhat lower than in the year-earlier period, indicating that the value gain is partly a result of higher prices. The value of shipments under Title I is estimated at $750 million, about 2 percent higher than in fiscal 1978, while the volume of shipments may be smaller. The value of Title II exports is estimated at $400 million, nearly 20 percent above last year's level, with quantity estimated to be slightly higher.

AID disbursements are estimated at $350 million, about one-fourth less than last year's total, with almost all of the decline in shipments to Egypt. The value of inedible tallow shipments to Egypt under AID was considerably lower, and there were no cottonseed oil AID disbursements, which in fiscal 1978 amounted to $72 million. AID to Israel is estimated at about $250 million, generally the same value as in fiscal 1978.—Susan Libbin; International Economics Division; Economics, Statistics, and Cooperatives Service.

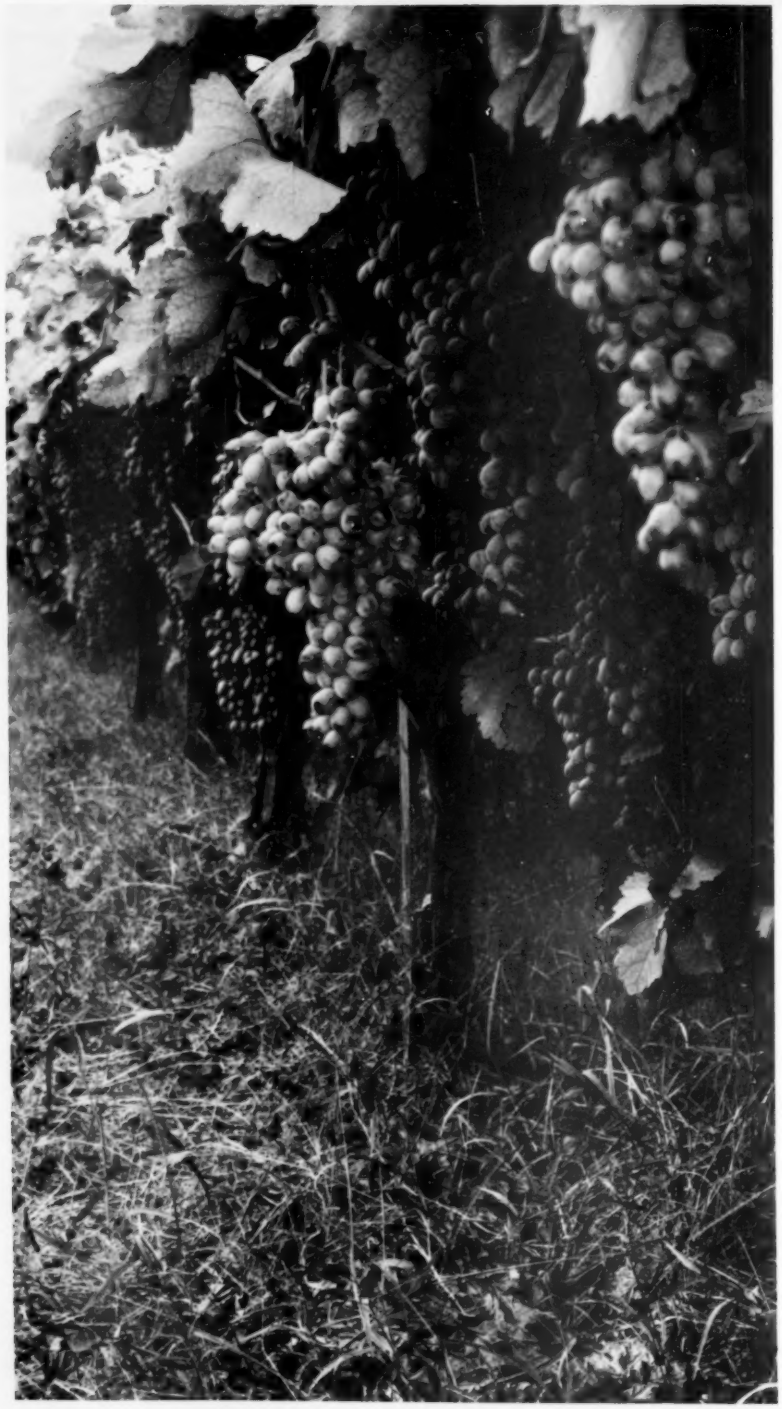
U.S. Agricultural Exports Under Government Programs: Oct. 1978-June 1979 and Oct. 1978-Sept. 1979 Estimates

Program	Oct.-June shipments	Oct.-Sept. estimates	Oct.-June shipments	Oct.-Sept. estimates
	1,000 mt	*1,000 mt*	*Mil.dol.*	*Mil.dol.*
P.L. 480, Title I	2,753	4,200-4,500	448	750
P.L. 480, Title II	[1]1,162	1,500	[1]293	400
Total	3,915	5,700-6,000	741	1,150
AID	605	1,130	262	350
Total	4,520	6,830-7,130	1,003	1,500

[1]Estimate of actual shipments from USDA Quarterly Report of the General Sales Manager.

Grape Output in Mexico Rising Rapidly

By L. P. Bill Emerson



As Mexico's grape production continues to trend upward, the flow of exports of table grapes—and raisins—to the United States is beginning to rise rapidly.

The Mission wine grape that was first introduced by Jesuit missionaries and conquistadores in the wake of Cortés has given way to new table and wine varieties. In the past two decades, the table grape and raisin industries—patterned after those flourishing north of the border in California and Arizona—have blossomed. This development has been marked by a shift in vineyards to the northwestern tier of the country.

Mexico's bearing grape area, now totaling 50,000 hectares, is expanding at an extraordinary rate. The top producing State is Sonora, located in the Pacific Northwest bordering the United States. Sonora has 15,000 hectares of bearing vineyards plus roughly 5,000 hectares of nonbearing vineyards that will begin yielding fruit in 3 to 5 years. In addition, some 10,000 to 20,000 hectares are expected to be planted in all varieties of grapes. Thus, Sonora's output of table grapes, raisins, and wine is likely to double by the mid-1980's.

More than one-fourth of Sonora's table grape marketings are shipped abroad, with the United States ranking as the principal export outlet. Mexico's exports of fresh grapes are heaviest during June and July when California's Coachella Valley—the earliest U.S. table grape district—is in peak production.

Presently, Mexico supplies only 3 to 5 percent of the annual U.S. consumption of table grapes and 20 percent of all such U.S. imports. However, these exports from Mexico are expected to accelerate during the 1980's to the point where they may represent more than half of all U.S. table grape imports and more than 10 percent of this country's annual domestic consumption.

Over the past 50 years, Mexico's grape production has risen fiftyfold, going from 10,000 metric tons to 500,000 tons as value has rocketed from just $220,000 to $175 million a year. During the same period, expansion in area—paced by plantings in Sonora—

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has increased thirtyfold from 1,600 hectares in 1929—and is still rising.

As a result of favorable weather thus far and the dramatically larger bearing area, a record grape crop appears in the offing this year in Sonora (the 1977 level of 150,000 tons of all varieties still stands). Consequently, Mexico's exports of table grapes to the United States during June-September 1979 should show a sharp gain from the 5,400 tons, valued at $3.4 million, shipped during 1978.

In 1978, the absence of the usual cold winter, necessary for flower formation, caused a drastic drop in Sonora's table-grape production as the harvest fell to an estimated 20,000 tons from 30,000 tons in 1977. Average yields per hectare plummeted from 1,000 boxes (10 kilograms per box) for Thompson Seedless and 850 boxes each for the Perlette and Cardinal varieties to roughly 150-250 boxes for all three varieties.

Despite a lower raisin output last year due to the smaller grape harvest, Sonora's raisin production has increased over the past decade as growers channel larger quantities of Thompson Seedless table grapes into dried fruit production.

Although Mexico is only a residual supplier of raisins to the United States, the flow increased following California's disastrous 1978 crop. U.S. distributors imported 1,400 tons of the Mexican product, valued at $2.2 million.

Mexico does not export wine, but its rising output has an indirect impact on the U.S. grape industry because Mexico's Thompson Seedless grapes are often diverted from the fresh export market to local wine production. With several new wineries coming on line and more under construction, Mexico's wine outturn is expanding rapidly. Wine production last year is estimated at 15 million liters (4 million gallons) while brandy output reached 65 million liters (15 million gallons).

Grape areas in Sonora are concentrated around the cities of Hermosillo and Caborca, located about 400 and 200 kilometers, respectively, south of the Arizona border. The climate is similar to that in Arizona, except Sonora has a warmer winter. Temperatures may fall below freezing in the winter, but not long enough to produce damaging frosts.

Because of the hot dry weather, Sonora's climate is ideal for growing grape varieties suited for table use, raisins, and dessert wines.

In contrast, Mexico's older vineyards—southwards in the Central Plateau—suffer from almost constant rainfall from July through September.

During the 1960's, Sonora became the focal point to Mexico's table grape industry by establishing table grape vineyards of the Thompson Seedless, Perlettes, Cardinals, Exotic, and Black Beauty varieties. Later, a local raisin industry was started using Thompson Seedless table varieties, while a sizable wine business was begun based on Caringnane grapes These grapes are often blended with other red wine varieties, such as Ruby Carbenet, Barbera, Grenanche, and Alicante.

The region surrounding the city of Carborca, Sonora, became Mexico's leading raisin district during the 1970's.

Some Thompson Seedless grapes in Hermosillo are also used to make raisins, but untimely rains make sun-drying risky. Therefore, the center of the raisin industry moved north to Caborca, where the humidity is lower and rainfall is not a problem. □

Mexico's table grape and raisin industries have been patterned after those in the United States. In above photos, grapes in California are drying in sun to produce raisins.

FAS/USDA Export Promotions
October 1, 1979—October 31, 1980

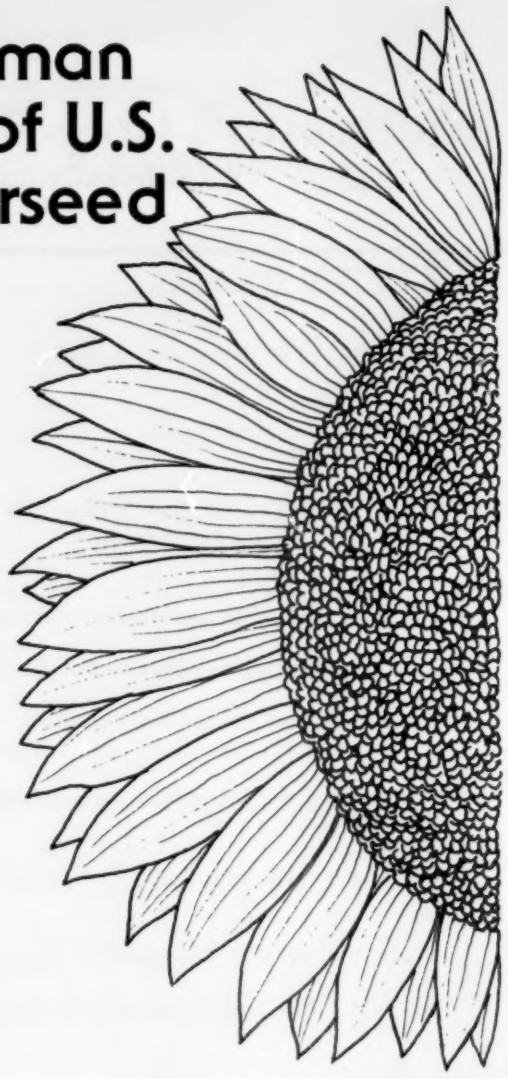
Location	Date	Type of event
MEXICO Mexico City	Oct. 1-8, 1979	National livestock show
BAHRAIN Manamah	Oct. 15-17	Solo U.S. exhibit—full product line, firm representation required.
UNITED KINGDOM London	Oct. 24-25	Solo U.S. exhibit—health foods only, firm representation required.
FRANCE Paris	Oct. 27-29	Solo U.S. exhibit—health foods only, firm representation required.
GUADELOUPE, ANTIGUA, BAHAMAS	November	Sales team of 6-8 U.S. firms.
MEXICO Queretaro	December 1979	National dairy show.
NETHERLANDS	Feb. 11-14, 1980	ROKA international exhibit.
DOMINICAN REPUBLIC	February	National livestock show.
EGYPT Cairo	Mar. 10-12	Solo U.S. exhibit—full product line, firm representation required.
SAUDI ARABIA	March	Sales team to Jiddah and Dhahran—8-10 firms following Cairo exhibit.
BAHRAIN	March	Sales team following Cairo exhibit.
FRANCE Paris	March	Paris international agricultural show—livestock/feedstuff show.
ITALY Verona	March	International exhibit—livestock/feedstuff show.
MEXICO	March	National beef cattle show.
JAPAN Tokyo	Apr. 22-24	Red meat, poultry, and seafood show—full product lines, representation required, solo U.S. exhibit.
KOREA Seoul	Apr. 28-29	Extension of Tokyo show for 20 U.S. firms.
UNITED KINGDOM Brighton	April	HRI[1] exhibit—U.K. agents and U.S. firms with products for the institutional trade.
ITALY Reggio Emilia	April	Swine exhibit.

Location	Date	Type of event
PANAMA Panama City	May	Sales team.
COSTA RICA San Jose	May	Sales team.
NORWAY Oslo	June	Attaché product display—full product line, firm representation not required.
VENEZUELA Caracas	July	Solo U.S. exhibit—full product line, firm representation required.
TRINIDAD	July	Sales team following Venezuela exhibit.
BARBADOS	July	Sales team following Venezuela exhibit.
BRAZIL Esteio	Aug. 16-27	International agricultural fair—livestock show.
HUNGARY Budapest	Aug. 19-Sept. 4	69th National Agricultural and Food Industrial Show.
JAPAN Tokyo	Aug. 26-27	Snack food show—solo U.S. exhibit, representation required.
SINGAPORE	Sept. 2-3	Solo U.S. exhibit—full product line, representation required.
GERMANY, WEST Munich	Sept. 19-24	IKOFA, international exhibit.
ITALY Cremona	September	Dairy-livestock show.
UNITED KINGDOM London	October	Solo U.S. exhibit—full product line, firm representation required.
NIGERIA Lagos	October	Attaché product display—full product line, firm representation not required.
IVORY COAST Abidjan	October	Attaché product display—full product line, firm representation not required.
CANARY ISLANDS	October 1980	Sales team composed of firms participating in Lagos and Abidjan exhibits.

[1] Hotel, restaurant, institutional.

For information regarding any of these promotions contact: William F. Dobbins, Director, Export Trade Services Division, FAS/USDA. Telephone (202) 447-6343.

West German Imports of U.S. Sunflowerseed Rising



Shipments of U.S. sunflowerseed to West Germany have increased in recent years and in calendar 1978 they made up 76 percent of West Germany's sunflowerseed imports from all sources. Most of the U.S. seed was crushed for oil and the meal was largely fed as dairy feed supplements, although a sizable share also was exported.

Based on report from Office of U.S. Agricultural Counselor, Bonn.

The rise in West Germany's sunflowerseed imports has been in line with area increases in the United States, which have made larger volumes available for export. West Germany's imports of U.S. sunflowerseed jumped from 77,800 metric tons in 1974 to 206,000 tons in 1976, and to a new record of 503,000 tons in 1978. Argentina, the only other major supplier, provided 13 percent of the 1978 total of 650,000 tons.

Value of the U.S. shipments climbed from $23.7 million in 1975 to $77.6 million in 1977, and to $142.0 million in 1978.

The U.S. shipments put sunflowerseed in fourth place on the list of U.S. agricultural exports to West Germany, following soybeans and products, corn, and tobacco.

Germany's demand for sunflowerseed oil formerly was met entirely by imports, but the percentage has dropped in recent years. Between 1972 and 1975, for example, about 80 percent of the demand was met by imported oil, mostly from the USSR and Romania.

As export availabilities in these two countries dropped off, their share of West Germany's imported oil declined to one-third in 1977, while seed imports from all sources increased considerably.

West German data show that as the country's sunflowerseed oil imports fell, the rise in exports was almost as steady. A comparison of the two, in 1,000 metric tons, follows for the years listed:

Year	Imports	Exports
1972	146	24
1974	137	36
1976	66	36
1978	28	117

In 1978 sunflowerseed oil produced by German mills exceeded domestic requirements and as much as 51 percent was exported, mainly to France, the Netherlands, and Belgium. Following the three big traditional sunflowerseed producing/crushing countries—the Soviet Union, Argentina, and Romania—West Germany ranked fourth among the world's major sunflowerseed oil producers.

Despite the rise in sunflowerseed imports, domestic use of sunflowerseed oil has not expanded notably since 1967, right after several identified sunflowerseed oil margarines were introduced on the West German market.

The West German market for sunflowerseed oil products—mainly identified margarine and a relatively small volume of salad and cooking oils—has been developed and promoted by the processing industry, largely by means of extensive market promotion activities. Furthermore, a general move by consumers to greater use of high-quality products and so-called natural foods—which usually sell well despite higher prices and steep price fluctuations—has brightened the image and favorably influenced the sales of sunflowerseed oil products.

However, the use of sunflowerseed oil margarine has been retarded by a

general stagnation in margarine consumption.

Per capita consumption of sunflowerseed oil products averaged about 2.2 kilograms between 1966 and 1978. The peak was 2.6 kilograms in 1973, the low, 2.0 kilograms in 1975 and 1976. Per capita use recovered to 2.2 kilograms in 1977 and to 2.3 kilograms in 1978.

Although this appears small when compared with that of other vegetable oils, sunflowerseed product consumption was actually equal to more than one-third the total butter consumption figure in recent years and to almost one-fifth of all margarines and cooking and salad oils consumed in West Germany.

One of the factors strengthening the relative position of sunflowerseed oil margarine in the spread market is the widening difference between the prices of butter and margarine. Butter costs about DM9 per kilogram. Regular sunflowerseed oil margarine in the good-quality category—containing 21-27 percent linoleic acids in the fat component—sells for 22-50 percent the price of butter.

The price of so-called very good quality margarine—having more than 28 percent linoleic acid—is from 31 to 58 percent the price of butter. Even the more expensive dietetic margarines, which sell for DM7, are still 22 percent cheaper than butter.

With the rise in sunflowerseed crushings for oil used in margarine, sizable amounts of meal remain. Common West German dairy feed formulas may contain up to 20 percent sunflowerseed cake and/or meal, along with a number of other oil products.

West Germany's output of sunflowerseed cake and meal rose from 58,100 tons in 1972/73 to 342,900 tons in 1977/78

Until 1976/77, most of the meal used in West Germany was imported, mainly from Argentina. In 1977/78, such imports were 141,600 tons, about the same as the volume imported each year since 1974/75.

However, by 1977/78 German mills had increased production to the point they were able to export 112,600 tons of meal to the Benelux countries and Denmark.

Between 1972/73 and 1976/77, West German sunflower cake and meal exports averaged only about 25.6 tons a year. □

Japanese Red Meat Use Up

Shortage of High Quality Fish and Changing Tastes Seen Responsible

Fish consumption has long held a commanding lead over red meat and poultry, but the latest figure from the Japanese Ministry of Agriculture, Forestry, and Fisheries MAFF) show the gap is beginning to narrow.

Red meat and poultry per capita consumption, based on Japanese April-March fiscal year (JFY) data has increased substantially, rising from 5 kilograms in 1960 to 20 kilograms in 1977. This compares with a 6-kilogram growth from 28 kilograms to 34 kilograms for fish and shellfish during the same period.

From 1960 to 1973, per capita consumption of red meat and poultry increased about 1 kilogram per year, but from 1973 to 1975, consumption growth almost stopped because of depressed economic conditions. In 1977, red meat and poultry consumption resumed its growth, because of improved economic conditions and possibly because of shortfalls in catches of high-quality fish.

As a consequence, there has been a decline in per capita consumption of fish and shellfish, possibly in favor of red meats.

In 1977, per capita fish consumption fell for the first time in a decade and apparently encouraged the 8.5 percent rise in red and poultry meat use—the largest percentage increase since 1971.

Between 1970 and 1977, poultry consumption climbed by 90 percent, pork by 74 percent, and beef by 55 percent.

MAFF's food balance sheet shows that for JFY 1977 per capita consumption of beef rose by 10.3 percent to 4.3 kilograms, pork by 7.3 percent to 11.8 kilograms, and chicken by 10.5 percent to 8.4 kilograms. Fresh and frozen fish consumption was 6.7 percent lower at 25.2 kilograms and processed fish use was down by 2.8 percent to 38.3 kilograms.

A study of processed products shows that pork use in calendar 1978 was up 7.4 percent to 202,594 metric tons, horsemeat use up 1.0 percent to 36,935 tons, and mutton use down 7.6 percent to 89,551 tons. By contrast, the use of beef in processed products soared by 49.2 percent, although the total amount was just 11,644 tons.

Mutton use declined because prices increased sharply—particularly for mutton from New Zealand—and there was a noticeable shift in demand from products containing mutton to those made entirely from pork. The increased use of beef in processed products follows the general consumption uptrend in beef's favor.

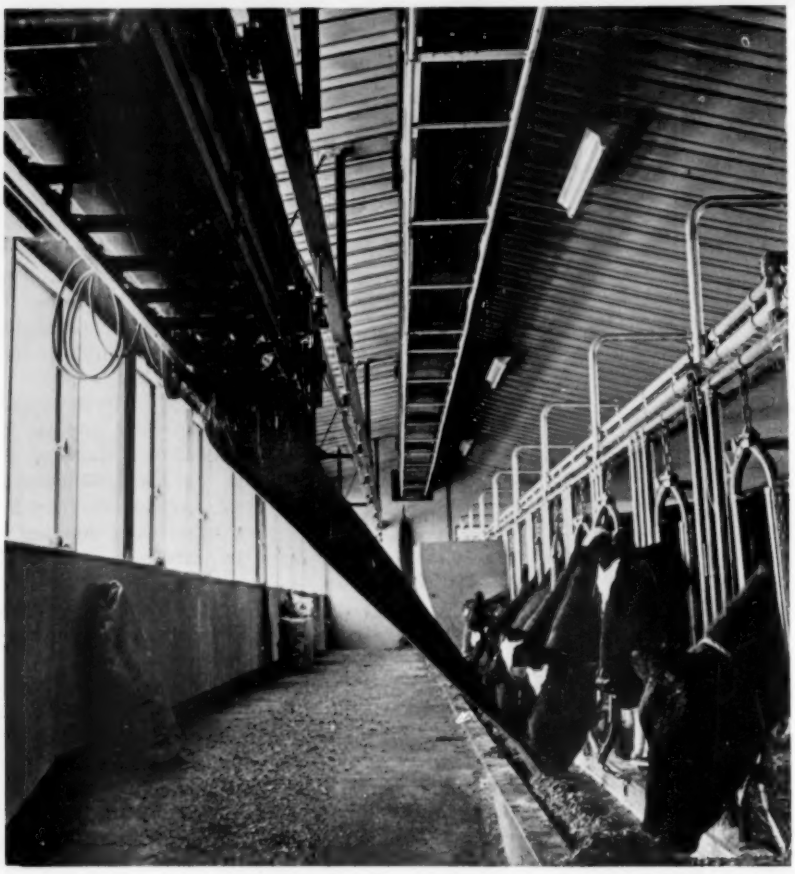
During January-May 1979, Japan's chilled and frozen beef imports increased 20 percent over those of the same period a year ago to 49,125 tons; product weight, and imports from the United States more than doubled to 10,594 tons. Imports from the United States were mainly frozen beef purchased under Japan's general quota and by hotels under the hotel quota.

Beef imports for calendar 1979 from all sources are forecast at 120,000 tons, 19,000 tons expected to be shipped from the United States. Last year's imports were close to 100,000 tons, with nearly 13,000 tons from the United States.

Pork imports in the January-May 1979 period were up 25 percent to 49,018 tons. Much of the increase was accounted for by imports from the United States, which rose in the period from 8,681 tons in 1978 to 13,372 tons in 1979. According to importers, most of the 1979 growth has been in pork loins to meet growing consumer demand for so-called loin hams.

Imports of fresh chilled and frozen pork in 1979 are expected to total about 120,000 tons, compared with 103,503 tons in 1978.

The general beef quota for the first half of the 1979 Japanese fiscal year is 55,000 tons, 15,000 tons more than the quota in the first half of JFY 1978. The



From top: Japanese hogs on farm near Takasaki; Hokkaido University experimental farm; fish being moved from dockside to outlets at Tokyo's fish market. In recent years, Japan's inadequate catches of high-quality fish may have caused some consumer movement to red meats. From 1960 to 1973, per capita consumption of red meat and poultry increased by about 1 kilogram per year. Growth almost stopped from 1973-75, but has again started upward.

expected larger quota reflects the growing demand for beef. In recognition of this demand and consumer dissatisfaction with high retail prices, MAFF has ordered beef release prices increased to designated retail stores starting next fall.

Also, for 1979, MAFF has boosted from 6,000 to 11,000 head the number of feeder cattle that may be imported into Japan duty free. Because quarantine spaces are limited, these imports will probably reduce the number of slaughter cattle imported in that year. In calendar 1978, total imports of fat cattle were 4,270 head.

If the entire number of feeder cattle is imported in JFY 1979, slaughter cattle imports probably will not exceed 1,500 head. Australia is again expected to monopolize the feeder cattle import market this year because of price and shipping advantages made possible by using chartered cattle ships.

(Hide and skin imports recovered somewhat in 1978 to some 270,000 tons, but both importers and exporters predict a drop of about 15 percent in calendar 1979 because price increases will make hides and skins almost as costly as the finished product.)

Japan's beef and swine numbers have been increasingly steadily for some years, and MAFF surveys in February 1979 reveal there were on Japanese farms 9.49 million head of hogs and 2.08 million head of beef animals. These totals represent increases of 8.1 percent in the number of hogs and 2.6 percent for beef cattle over the livestock numbers recorded in the February 1, 1978, census.

The number of sows in the survey was up from the 1.093 million head recorded in the 1978 data to 1.618 million in February this year. Based on the 1979 rise in sow numbers, MAFF forecasts hog marketings this year at 19.28 million head and pork production at 1.42 million tons (carcass weight equivalent—cwe).

The MAFF survey indicates that dairy beef numbers are up 11 percent, while total Wagyu cattle numbers are down slightly.

Beef production for 1979 unofficially is estimated at 405,000 tons (cwe). However this figure may prove to be too low if overproduction of milk prompts a larger than expected slaughter of milk cows.—*Based on report by Dudley G. Williams, Counselor for Agricultural Affairs, Tokyo.* □

U.S. Farm Exports Up 16% In October-June

Exports of U.S. farm products during October-June increased $3.3 billion or 16 percent to reach a record high of $23.8 billion. Although exports were up in each of the first three quarters of the fiscal year (Oct.-Sept.), most of the increase occurred in the first two quarters, which were up 34 percent and 17 percent, respectively.

Exports in the April-June quarter of $7.9 billion were only 1 percent above those for the like quarter a year earlier. Higher export value stemmed from both higher prices and increased volume. Higher prices—especially for grains, oilseeds, meat, and hides and skins—accounted for 99 percent of the overall value increase.

Export prices generally have increased during the 9-month period. Wheat export unit value increased 17 percent and feedgrains by 6 percent.

The soybean export unit value of $266 per ton was up 11 percent over the year-earlier value. Cotton's unit value was up 10 percent. However, export unit values for rice and dried beans declined 3 percent and 11 percent, respectively.

Other export unit values showing substantial increases include hides and skins (up 58 percent), tobacco (up 10 percent), soybean meal (up 22 percent), meat (up 29 percent), fresh fruits (up 20 percent), and almonds (up 51 percent).

Export tonnage reached a record 90.7 million metric tons—up 1 percent from the same period a year earlier. Increased volume was noted for feedgrains, rice, soybeans, soybean meal, vegetable oils, cotton, and tobacco. However, wheat volume of 22.1 million tons was 6 percent lower than in the year-earlier period.

Some reasons for the sharp increase in U.S. farm exports this fiscal year:

- Larger purchases of U.S. commodities by China.
- Stronger demand in major developed markets resulting from improved economic growth during most of 1979.
- Continued large purchases by the Soviet Union.
- Rapid economic growth in the fast-developing countries.
- Relatively little growth in agricultural production in the poorer developing countries.

U.S. agricultural exports to leading markets rose strongly, with China (up 260 percent) and Mexico (up 51 percent) registering the largest increases. Japanese demand remained strong, up 18 percent, for a total value of $3.8 billion, with the largest value increases in wheat, soybeans, and hides and skins.

Demand from European Community (EC) countries was up moderately, with large increases in shipments to the Netherlands, West Germany, the United Kingdom, and Italy. Heavier demand for soybeans, hides and skins, and wheat accounted for the growth.

Exports to the USSR were down 19 percent to $1.2 billion because of an import drop of 525,000 tons of wheat. Increases to China were mainly in grains (up 1.3 million tons) and cotton (up 35,000 tons). U.S. export increases to Mexico were primarily in feedgrains (up 400,000 tons) and oilseeds.

The volume of wheat exports declined 5 percent (1.1 million tons) during October-June, compared with the same period a year earlier. The unit value, however, increased significantly (17 percent), more than offsetting the effect of declining volume.

Wheat exports to the Middle East and North Africa fell short of last year's 4.1 million tons. Most notable was the decline in shipments to Morocco, which has not imported U.S. wheat since September, but which took nearly 700,000 tons during October-June 1977/78.

Reduced exports to Morocco, in addition to Brazil, were examples of the impact on U.S. wheat export sales of EC wheat export subsidies.

Elsewhere notable tonnage gains were realized in shipments to China (up 1.3 million tons), and Mexico (up 600,000 tons). The USSR has taken 2.2 million tons, 19 percent less than the year-earlier total. However, reduced prospects for the winter wheat crop probably will cause the Soviets to take substantially larger quantities of wheat during the rest of this fiscal year and next.

U.S. rice exports have slowed somewhat in recent months but still remain 11 percent ahead of last year's performance. Because of a preference for rice over wheat and somewhat smaller availabilities from other sources, U.S. rice exports to the Middle East and North Africa increased 41 percent, bringing the export total to almost 700,000 tons.

Feedgrain exports in October-June advanced 3 percent over year-earlier levels. Unit values rose 5 percent to $107.46, fueling an 8 percent increase in value. Corn exports alone accounted for the increase, with barley, sorghum, and oats all recording both volume and value reductions.

Feedgrain exports (virtually all corn) to Japan in June were 15 percent above the year-earlier level, but the October-June total is 5 percent below last year's mark.

Soybean exports slowed considerably in June after a torrid early pace, but are still 3 percent above the 1977/78 cumulative total. Value increased 15 percent in October-June, off from the 40 percent increase of the October-March period.

Brazil entered the market for U.S. soybeans following its crop shortfall and to date has purchased 78,372 tons. Other increases over year-earlier totals were in shipments to China (94,573 tons), Korea (171,102 tons), and Taiwan (261,383 tons). Japan imported 3 percent less volume from the United States, but the 13 percent increase in unit value to $271 resulted in a 10 percent increase in total dollar value.

Reasons for the slowdown in the rate of growth in soybean exports during recent months include the record Argentine harvest of 3.8 million tons, increased fishmeal production in

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This article was prepared by the World Analysis Branch of USDA's Economics, Statistics, and Cooperatives Service.

U.S. Agricultural Exports: Volume By Commodity October-June, 1975/76-1978/79

Commodity	1975/76	1976/77	1977/78	1978/79	1977/78-1978/79 change
	1,000 mt	*1,000 mt*	*1,000 mt*	*1,000 mt*	*Percent*
Wheat and products	22,252	16,929	23,374	22,057	- 6
Feedgrains and products	36,608	39,190	40,962	42,139	+ 2
Rice	1,298	1,567	1,707	1,897	+11
Soybeans	12,990	13,514	16,639	17,113	+ 2
Protein meal	4,027	3,546	4,939	5,045	+ 2
Vegetable oils	744	939	1,143	1,203	+ 5
Cotton, excluding linters	526	836	1,003	1,041	+ 4
Tobacco	223	216	210	242	+15
Total	78,668	76,737	89,977	90,737	+ 1

U.S. Agricultural Exports: Volume By Leading Market October-June, 1975/76-1978/79

Commodity	1975/76	1976/77	1977/78	1978/79	1977/78-1978/79 change
	Mil.dol.	*Mil.dol*	*Mil.dol.*	*Mil.dol.*	*Percent*
Japan	2,570	3,054	3,209	3,815	+18
Netherlands	1,356	1,804	1,691	1,851	+ 9
Canada	1,067	1,233	1,147	1,257	+10
West Germany	1,292	1,628	1,169	1,211	+ 4
Korea, Rep. of	551	670	745	1,073	+44
USSR	1,630	966	1,496	1,208	- 19
United Kingdom	524	748	683	858	+26
Italy	603	725	729	795	+ 9
China	2	(2)	198	713	+260
Spain	569	539	634	686	+ 8
Taiwan	420	488	545	753	+38
Mexico	404	346	459	693	+51

[1] Not adjusted for transshipments. [2] Less than $500,000.

U.S. Agricultural Exports: Value By Commodity October-June, 1975/76-1978/79

Commodity	1975/76	1976/77	1977/78	1978/79	1977/78-1978/79 change
	Mil.dol.	*Mil.dol.*	*Mil.dol.*	*Mil.dol.*	*Percent*
Animals and animal products					
Dairy products	92	121	122	87	- 29
Fats, oils, and greases	299	421	425	515	+21
Hides and skins excl. furskins	480	636	444	722	+62
Meat and meat products	455	453	496	632	+27
Poultry and poultry products	165	215	251	275	+ 9
Other	161	136	374	532	+42
Total animals and products	1,652	1,982	2,112	2,763	+30
Grains and preparations					
Feedgrains and products	4,634	4,321	4,191	4,541	+ 8
Rice	421	481	636	687	+ 8
Wheat and major products	3,516	2,187	2,811	3,096	+10
Other	110	113	112	117	+ 4
Total grains and preparations	8,681	7,102	7,750	8,441	+ 8
Oilseeds and products					
Cottonseed and soybean oil	259	456	547	681	+24
Soybeans	2,547	3,836	3,976	4,557	+14
Protein meal	631	787	902	1,105	+22
Other oilseeds and products	384	403	614	677	+10
Total oilseeds and products	3,821	5,482	6,039	7,020	+16
Other products and preparations					
Cotton, excluding linters	629	1,302	1,293	1,477	+
Tobacco, unmanufactured	756	784	855	1,092	+28
Fruits and preparations	541	571	709	756	+ 6
Nuts and preparations	140	171	220	354	+60
Vegetables and preparations	717	571	499	593	+18
Feeds and fodders	270	473	411	561	+36
Other	198	536	625	741	+18
Total products and preparations	3,251	4,408	4,612	5,574	+20
Total	17,405	18,974	20,513	23,798	+16

Peru, reduced feeding in the EC of manioc (which requires more protein meal than grains), and somewhat less favorable soybean prices in relation to grain prices in the EC and other developed markets.

Shipments of protein meal to Canada dropped 54 percent to 310,903 tons in October-June. Likewise, Mexico took 86 percent less meal.

U.S. exports to Eastern Europe increased substantially (41 percent), highlighted by shipments of 359,303 tons to the German Democratic Republic—a jump of 479 percent.

Vegetable oil exports increased 5 percent, almost solely on the strength of soybean oil. This component realized a 14 percent increase in tonnage and a 34 percent gain in value.

Iran has been the leading U.S. export market for vegetable oil in fiscal 1979, replacing India. Shipments of this oil to Iran in October-June amounted to 178,110 tons (most of this quantity was shipped after the revolution), a 179 percent increase over the year-earlier level.

Cotton export volume rose 4 percent to 1,041,467 tons, boosted by increasing economic activity that pushed world cotton consumption higher and lower foreign production. Total value rose 14 percent to $1.5 billion, reflecting an increase of 10 percent in cotton's unit value to $1,420 per ton.

U.S. exports to Japan advanced 31 percent in value to $333 million, and exports to China jumped 61 percent to $157 million.

U.S. tobacco exports rose 15 percent in volume during October-June to 242,196 tons. Exports to the United Kingdom increased to 41,984 tons (up 41 percent), West Germany to 19,980 tons (up 21 percent), and Taiwan to 13,475 tons (up 85 percent).

Total unmanufactured tobacco export value increased 28 percent to $1.1 billion, while the unit value of tobacco rose 10 percent to $4,507 per ton.

U.S. exports of animals and products increased 31 percent in value during October-June. Much of the increase was a result of higher values of hides and skins, beef, and veal.

Meat export volume declined 1 percent from the year-earlier level. Larger beef shipments did not offset the drop in pork and variety meat exports. Meat exports were down 45 percent to Canada and down 11 percent to France, but were up 27 percent to Japan. □

FACT FILE

United States and China

The Agriculture Connection

U.S.-China Relations

Following establishment of the Communist Government in 1949, China and the United States were without diplomatic relations for almost 30 years. In 1971, the two governments began a dialogue, resulting in the Shanghai Communique of 1972. Economic lines of communication developed, and liaison offices were established in Washington and Beijing. In 1977, President Carter reaffirmed the Shanghai Communique as the basis for relationship and reaffirmed U.S. intentions to move toward normalization. Secretary of State Cyrus Vance visited China in 1977, and in the fall of 1978 agreement was reached on full normalization. On December 15, 1978, it was announced that diplomatic relations would be established January 1, 1979. The two liaison offices changed to Embassy status on March 1, 1979.

Official Exchanges

At the end of July 1978, a 30-person Chinese agricultural team arrived in the United States for a 6-week visit at the invitation of the Mid-America International Agri-Trade Council (MIATCO). While in Washington July 28, leaders of the Chinese group invited Secretary Bergland to visit China. This invitation was accepted, and Secretary Bergland led a team of 15 agriculturalists to China November 4-14 to discuss trade and scientific exchanges. This led to a second official agricultural visit March 15-25, headed by Under Secretary of Agriculture Dale E. Hathaway. Seven members of the Hathaway team represented the nonprofit "cooperator" organizations that work with the Foreign Agricultural Service in export development. These representatives developed plans for continuing cooperation in agriculture with the Chinese. On July 7, a trade agreement was signed in Beijing, following a trip to China in May by Secretary of Commerce Juanita Kreps. This agreement, which provides a framework for expanded trade, is important to U.S. farmers because their products predominate in U.S. exports to China (71 percent of the total in 1978).

Farming in China

Since 1949, the Chinese have made efforts to modernize their agriculture. Throughout the 1950's, production was organized on an increasingly larger scale, starting with the production team (about 40 households) and ending with the commune (about 4,000 households). The commune continues today as an administrative unit, but in reality many production decisions are the responsibility of the production brigade (about 400 households) and the production team. Individuals make production decisions only with regard to the private plots they cultivate.

Changes Since 1960

Major efforts have been made in rural capital construction. These efforts started in the early 1960's, partly in response to the severe production shortfalls in 1960/61. The objective is to insulate more effectively the agricultural sector from drought and other severe weather occurrences. The investments are labor-intensive and include terracing the fields, construction of walls, irrigation, and land reclamation.
Other improvements include the use of small-scale, semimechanized agricultural equipment and the use of chemical fertilizers. The principal crop is rice; other major crops include wheat, corn, soybeans, peanuts, cotton, and tobacco. Total grain and soybean production reached 304 million metric tons in 1978 (including 137 million tons of rice), and total hog numbers reached 300 million.

Decisions To Modernize

The Chinese have plans to modernize their agriculture further, including increased mechanization and use of agricultural chemicals. During Secretary Bergland's visit, the Chinese showed strong interest in U.S. agribusiness products and technology: (1) Agricultural machinery—whole plant and equipment for mechanization and irrigation; (2) Seed processing machinery—for drying, selecting, grading, packaging, and testing; (3) Agricultural chemicals—pesticides for cotton, wheat, rice, soybeans, corn, and fruit trees; plant growth regulators; herbicides for rice, cotton, corn, and soybeans; (4) Feedstuff industry—complete equpment for premixed feed, bulk transportation, pelleting, computers for feedstuff formulation, alfalfa dehydrating, feedstuff additives; (5) Plastics for agriculture and food processing—pipes for irrigation, plastics for fisheries and packaging; and (6) Food processing equipment—automated production lines for canned foods, beverages, and bread.

Technical Exchanges

The United States and China have signed an agreement on cooperation in science and technology and have reached an

understanding on agricultural exchanges. During Secretary Bergland's visit, it was agreed that it would be mutually beneficial to promote cooperation in agricultural technology, economic information, science, and education. Groups had previously been exchanged under the auspices of the National Academy of Sciences in science and research, farm machinery, citrus fruits, wheat, and vegetables. A Chinese seed delegation visited the United States during March, and the U.S. cooperator team, representing livestock, feedgrain, soybean, fruit, seed, and wheat cooperators visited China during March. A Chinese grain inspection team visited the United States in July and an agricultural delegation representing the northern and northwestern provinces—concerned with water conservation, animal husbandry, and grasslands management—visited the United States during June. There have also been scientific exchanges on biological control of pests, animal health, and plant germplasm. Other areas under consideration include exchanges in economic analysis and statistics, forestry, agricultural engineering, improvement of grasslands and management of pasturelands, cultivation of fruit trees, medicinal plants, and the application of remote sensing and computer technology to agriculture.

Cooperator Agreement

The U.S. market development cooperator team to China in March reached informal agreement to exchange technical delegations in seeds and grassland management, baking, feed processing, laboratory equipment, and animal husbandry. The Chinese wish to work closely with the cooperator groups in modernizing the agricultural sector, and they are considering additional cooperator proposals in the fruit and livestock sectors.

Modernization is intended to enable the Chinese both to improve their diet and to reach an output of 400 million tons of grain by 1985. Most observers believe this grain production target is the maximum level the Chinese could produce by 1985, and say that 350 million tons is more likely, based on the historic rate of growth.

1972—A Renewal of Trade

In the years preceding 1972, U.S. agricultural exports to China were zero. In 1972, a combination of poor crop weather in China and improving contacts with the United States brought the Chinese back into the U.S. market for $61 million in farm product purchases, mostly of wheat and corn. The following 2 years, Chinese purchases of U.S. farm products expanded in a big way—to $626 million in 1973 and $664 million in 1974. In those years, sizable imports of grain continued along with substantial amounts of cotton and soybeans. The Chinese also imported U.S. soybean oil in 1973 and animal fats in both years. By 1975, however, improved crops in China along with trade balance considerations brought a sharp drop in purchases from the United States. Imports of U.S. farm products fell to $80 million in 1975, almost entirely cotton, and virtually to zero in 1976.

Since 1977—A New Plateau

In 1977, the Chinese market for U.S. farm products began to rebound, based largely on soybeans, soybean oil, and cotton, with no imports of U.S. grains. The total for the year was $66 million. In May 1978, the Chinese began to buy U.S. wheat and corn aggressively, ending the year with 3.3 million tons of those two grains valued at over $400 million. Added to that were purchases of U.S. soybeans, soybean oil, cotton, and fats and tallow, for a total for 1978 of $614 million.

In the first half of 1979, Chinese purchases of U.S. grains, cotton, soybeans, and soybean oil continued active, amounting to $430 million for the 6 months. Chinese purchases in this calendar year may total over $800 million.

Chinese Exports

China's exports of agricultural commodities are an important means of obtaining the hard currency necessary for purchases of agricultural technologies and commodities. China exports certain agribusiness products, but these are a small part of its agriculture-related exports. Rice, fruits and vegetables, and livestock and products have been leading Chinese agricultural exports. Chinese exports of fruits and vegetables totaled $500 million in 1977, and its exports of live animals, meat and meat products, fish and fish products totaled over $700 million.

U.S. agricultural imports from China have been insignificant, totaling $84 million in 1978. In 1978, the major U.S. agricultural imports from China included, in their order of magnitude: Feathers and down ($26 million), bristles ($6.5 million), cashews ($6.5 million), tea ($5.5 million) cassia oil ($4.3 million), raw silk ($4.3 million), cashmere ($3.1 million), gelatin ($3.0 million), tung oil ($2,8 million), licorice root ($3.5 million), and cocoa ($1.7 million).

Obstacles to Trade

U.S. exporters meet intense competition in China. Japan, the European Community, Australia, and Canada are among these competitors. China does not have most-favored-nation (MFN) trading status with the United States, and this probably has limited its access to the U.S. market. However, the U.S.-PRC trade agreement (now before the U.S. Congress) provides for MFN status and thus will grant China access to the U.S. market equal to that of most other nations. China is eligible for credit under the Commodity Credit Corporation (CCC) export program, but has not asked for it. Moreover, China's major credit needs relate to projects that CCC credit does not cover. China will contract many of these projects with foreign investors, and has already been extended several billion dollars in credit by Japanese, British, French, and Arab banks. To date, U.S. bank loans to China have been minimal. However, China is considered very creditworthy, and U.S. banks may become more heavily involved in lending to the Chinese.

COUNTRY REPORTS

PORTUGAL

Grain Imports Seen Reaching Record Levels in 1979/80

Portugal's grain imports in 1979/80 (July-June) are forecast at a record 3.6 million metric tons (including rice)—400,000 tons above those in 1978/79—with nearly three-fourths of the total coming from the United States.

Both wheat and corn imports are seen surpassing 1978/79 levels by some 200,000 tons each, to 2 million and about 1 million tons, respectively. An additional 470,000 tons of sorghum and 105,000 tons of barley and oats will be needed as well.

Depending on the availability of Commodity Credit Corporation (CCC) financing, the United States might supply about 2.8 million tons of these imports, compared with 2.6 million tons estimated for 1978/79.

Portugal's grain stocks were drawn down during the current season in anticipation of recovery in this year's crop. But unfavorable weather and continued uncertainty over ownership of land under the ongoing agrarian reform program have again cut into grain area and yields. As a result, the 1979 grain crop is forecast at only 970,000 tons (including rice), some 12,000 tons below that of 1978.

Planted winter grain area was up from last season's reduced level, but harvested area is expected to decline slightly as a result of widespread flooding in early February. Current estimates point to a wheat crop of about 210,000 tons—less than half the normal crop of more than 500,000 tons and the worst in recent years.

Excessive moisture also delayed spring plantings, mainly of corn, which is expected to come in well below historical levels although still somewhat above last year's reduced crop of 443,000 tons. Total coarse grain production in 1979 is forecast at 660,000 tons—up slightly from the previous year's but considerably below the 1968-77 average of about 824,000 tons.

While production has foundered, Portuguese grain requirements have grown steadily. Wheat consumption has risen about 200,000 tons since 1974 to nearly 1.1 million tons, largely in response to the return of 750,000 people from Portugal's former African possessions.

Feedgrain requirements have risen in line with Government emphasis on livestock expansion as a means of curtailing livestock-product imports.

Continued expansion in livestock production could push feedgrain requirements to 3.2 million tons (including nonfeed uses) in 1978/79 and 3.3 million in 1979/80, compared with 1.9 million tons 6 years earlier.

Prospects for significant improvement in Portugal's grain situation are not good—especially in Alentejo, the main producing region. The return of some land to former owners is creating serious problems and the uncertainty of agrarian reform may well preclude expansion in grain output for several years. Thus, Portugal will have to rely on large grain imports to meet domestic demand.

By James Lopes; Economics, Statistics, and Cooperatives Service. □

EC-Lomé Countries

Talks Concluded on Lomé Extension

After a year of detailed negotiations, the European Community (EC) and 57 African, Caribbean, and Pacific (ACP) countries have completed talks that should lead to renewal of the Lomé Convention—an agreement covering, among other things, preferential tariff treatment in the EC and economic and technical assistance for the ACP countries.

If the ACP countries formally assent, Lomé II will take effect March 1, 1980, and extend until 1985.

Disagreement over a number of substantive issues prevented an early consensus on Lomé II.

ACP countries were dissatisfied with the budget offered by the EC for the new Lomé Convention. The EC had announced in May that the new budget would be equal to the Lomé I budget after adjustment for inflation. ACP countries had requested a budget increase of nearly 50 percent and refused to negotiate other sections of Lomé II until an acceptable compromise on the budget had been reached.

The EC finally agreed to increase its financial aid offer by $240 million (up 4 percent, in real terms), and to complement this amount with an additional $400 million for loans.

This offer—more acceptable to the ACP delegates—will raise the Lome II budget to nearly $7.5 billion, an increase in real terms of

10 percent over the previous budget. The new budget in nominal dollars is 72 percent higher.

The ACP negotiators were also discontented with the EC's offer of improved market access for some agricultural products.

After prolonged negotiations, the EC consented to extend the list of agricultural and fishery products under the Stabex system from 34 to 44. (The Stabex system provides for automatic loans or grants to an ACP government when exports of selected products drop to specified levels. The system guarantees a minimum revenue for the exporting country, but not for individual exporters and/or producers.)

The new products to be added to the Stabex list are peppers, cashew nuts, legumes, oil cake, cottonseed, beans and lentils, essential oils, shrimp, squid, and rubber.

Several ACP countries—especially Malawi—urged inclusion of tobacco on the Stabex list, but EC officials concluded that such a move would inordinately disrupt the EC market. The agreement to omit tobacco is viewed with relief by U.S. tobacco producers, whose exports otherwise could have been hurt.

Special provisions have also been made for ACP exports of farm products subject to the EC's Common Agricultural Policy. These are eligible for reduced levies and/or quota restrictions. For example, ACP beef enters the EC under concessionary quotas.

During Lome II negotiations, the EC offered a quota on ACP beef of 30,000 tons per year—an increase of 3,000 tons or 11 percent over the Lome I beef quota. Because of EC animal health restrictions, however, only four ACP countries—Botswana, Swaziland, Kenya, and Madagascar—are eligible to ship beef to the EC.

Other trade concessions were agreed upon for corn, tomatoes, carrots, onions, asparagus, and passion fruit.

An important step in cooperation is the EC's agreement to establish an Agricultural and Rural Technical Center to promote cooperation between the EC and ACP.

Important economic innovations include establishment of a new Stabex for mineral products and a guarantee against expropriation by ACP governments of EC investments.

The Stabex for mineral products will allow ACP mineral producers to take advantage of very low interest loans (1 percent) from the EC in the event that a crisis should force an ACP producer to reduce exports to the EC by more than 10 percent.

Because some ACP representatives were reluctant to accept the Lome II package, the agreement was made on an ad referendum basis and is to be confirmed on a date to be set by a Council of Ministers selected from ACP countries.—*By Diane L. Parness; Economics, Statistics, and Cooperatives Service.* □

Greece

EC Accession Treaty Signed In Athens

The accession treaty that confirms Greece as the 10th member of the European Community (EC) was signed May 28 in Athens and ratified shortly thereafter by the Greek Parliament.

Accession is not expected to hamper Greek imports of U.S. farm products—mostly grain—but may increase the country's production of tobacco, cotton, fruits, and vegetables that compete with U.S. products, particularly in EC markets.

The next step to be taken before Greece's accession to the EC can become effective will be ratification of the treaty by the legislative bodies of the present EC members (Belgium, Denmark, France, Ireland, Italy, Luxembourg, Netherlands, United Kingdom, and West Germany).

Negotiations for Greece's entry into the EC focused on Greek acceptance of the EC treaties (and legislation based on these treaties) that are subject to transitional measures for resolving adjustment problems for either side.

The negotiations, which extended from July 1976 to April 1979, resulted in establishment of a general 5-year transitional period for Greek accession.

Two important exceptions to this general agreement are a 7-year transitional period for free movement of Greek workers within the enlarged EC and a 7-year transitional period for Greece's exports of fresh and processed tomatoes, and fresh and preserved peaches.

The EC's transitional measures for the agricultural sector will be primarily concerned with progressive elimination of residual customs duties on Greek imports of EC products, and alinement of the Greek tariff with the EC's Common Customs Tariff (CCT).

Greece's transitional measures will relate to alinement of domestic prices with those of the EC. During the transitional period, price differences between Greek and EC products will be compensated for by a system of accession compensatory amounts (ACA's). Special transitional compensatory mechanisms will be applied to selected fresh fruits and vegetables.

Certain Greek national aids to agriculture that have no exact counterparts in the EC's Common Agricultural Policy (CAP)—including direct payments to producers of various horticultural crops and input subsidies (seed, machinery, fertilizer, feedgrain)—will be phased out during the transition period, while the CAP price-support/market-intervention system is put in place.

To insure that Greece receives as much from the EC's common funds during the transition period as it contributes in import duties and variable levies collected on Greek imports, the EC has agreed to supply CAP price supports for Greek olive oil production, beginning with the 1980 crop, and has allocated $33 million for cotton price support in the year following accession.

Measures to support Greek raisin and dried-fig production by incorporating those products in the EC's CAP for processed fruits and vegetables will be in place in the fall of 1961, with a tentative budget of $13 million.

The bulk of U.S. farm exports to Greece are in the livestock and poultry feed

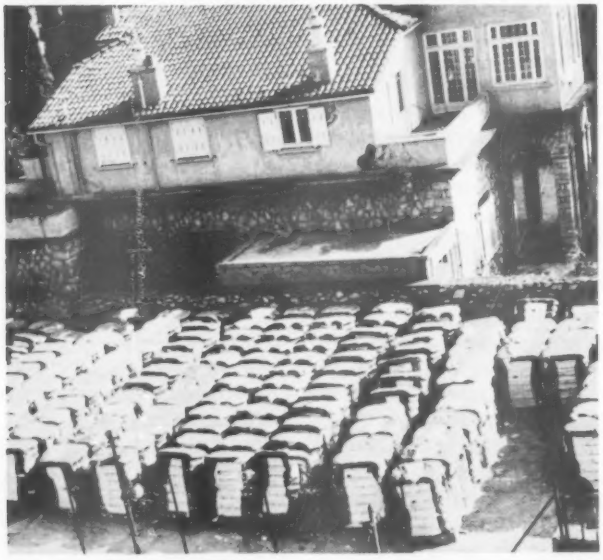
ingredients category—chiefly corn (valued at $104 million in 1978) and soybeans and meal ($29 million in 1978).

Greek soybean imports have been expanding rapidly, and should continue to do so under the EC import regime, since soybeans will not be subject to duties or import and marketing controls.

Corn and other feedgrains imported from non-EC countries will be subject to variable levies, which is likely to increase the overall cost of livestock production and to bring about shifts in feeding practices, such as wider use of protein meals.

Greece's membership in the EC could have a beneficial effect on its overall agricultural production and competitive potential, tempered with such resource and infrastructure constraints as arable land, water, transport, and labor.

Greece produces a number of agricultural products that compete with U.S. exports to Europe, including tobacco, cotton, raisins, table grapes, lemons, canned peaches, and fruit cocktail. Expanded Greek production of any of these crops could displace U.S. sales to the present nine EC members. —*By Diane L. Parness; Economics, Statistics, and Cooperatives Service.* □



Top, workers in Skydra, Greece, preparing peaches for canning. Bottom, bales of cotton awaiting shipment in Greece.

Czechoslovakia

Grain Shortfall May Lead To Increased Imports From U.S.

Czechoslovakia's grain production this year may well be one of the poorest in recent years, putting a decided crimp on the country's drive to achieve self-sufficiency in grain production. The shortfall is expected to lead to an increase in grain imports, particularly from the United States.

The weather-damaged grain crop could fall to just above 9 million tons in 1979, compared with a record harvest of 10.9 million tons in 1978. The planned output of the country's grain crop was targeted at 11.2 million tons this year. The production dropoff this season may force Czechoslovakia to import nearly 2 million tons of grain during 1979/80 and to reduce somewhat its level of livestock feeding of grains.

The winter grain crop suffered severe damage and more than 10 percent of the fall-sown winter wheat had to be plowed under and resown to spring grain. In addition, the hot and dry weather that started in early May and lasted until mid-June also was damaging to the spring-sown grain crops, with the exception of corn, which appears to have benefited from the mid-June rains. Harvesting of small grains was not expected to be completed until the last of August.

Czechoslovakia's drive to achieve self-sufficiency in grain production so far has met only with moderate success. As the country's production of grain has increased, demand for livestock feed has also risen.

As a result, Czechoslovakia has continued to import growing quantities of protein feeds (corn) and meals (soybean meal), chiefly from Western sources. It appears that this trend will be difficult to arrest during 1979.

In anticipation of the poor grain harvest, Czechoslovakia already has contracted for about 100,000 tons of U.S. wheat for delivery during the 1979/80 marketing year. Further purchases of grain may depend on the harvest and on credit arrangements.

The disappointing crop prospects in East European countries and the Soviet Union as well suggest that Czechoslovakia will rely more heavily on Western nations—particularly the United States—for grain imports in the 1979/80 marketing year.

Total 1979/80 Czech grain imports from the United States could total above 1.0 million tons. During 1978/79, Czechoslovakia imported about 400,000 tons of corn from the United States, up from nearly 300,000 tons of U.S. corn imported the previous year.

In addition to grain imports from the United States, Czechoslovakia normally takes between 600,000 and 800,000 tons from its CEMA partners, the USSR, Hungary, and Romania under long-term delivery commitments.—*Based on reports from Nicholas M. Thuroczy the U.S. Agricultural Attaché, Vienna.*

United Kingdom

New Tory Government Pro-Farmer, Pro-European

Britain's new Conservative Government, led by Margaret Thatcher, is expected to take more of a so-called pro-European view than its predecessor in terms of European Community (EC) agricultural policy, according to several speeches by Peter Walker, Britain's new Minister of Agriculture.

This implies a departure from the rigidity of Britain's previous attitude towards increases in Common Agricultural Policy (CAP) farm support prices. The former Labor Government wanted prices frozen for 4 years—a view partly shared by the Conservatives in the past.

However, the present Tory Government has departed somewhat from this position by supporting a moderate (average 1.2 percent in terms of the new European Currency Unit) general hike in EC farm support prices for 1979/80, although insisting on a freeze in dairy prices.

In addition to a philosophy of cooperation on the price issue, the new U.K. Government has pledged to support the farmer, departing somewhat from the strong consumer orientation of the previous Government.

The present Government contained in its manifesto a promise to the farmer of "parity of opportunity" through green pound devaluation. Minister Walker, in a recent debate in the House of Commons, declared that "the U.K. green pound will be adjusted in gradual steps to parity with Continental EC partners during the next 4-5 years."

The gap between farm prices in the United Kingdom and West Germany for some commodities exceeded 40 percent for a period last year. Prior to the May election, the EC Council of Ministers agreed to the U.K. Labor Government's request to devalue the green pound by 5 percent. In response to a request from the new Tory Government, a further devaluation of this magnitude went into effect in July for milk, beef, pork, and sugar, and at the start of the next marketing year, for all commodities.

The effect of these devaluations is not only to raise British farm prices vis-a-vis the European unit of account, but also to reduce Monetary Compensatory Amount (MCA) subsidies on imports.

The pro-farmer attitude of the Thatcher Government should encourage the ailing pig industry, which only recently has shown signs of revitalization after several years of stagnation. Pig producers in the United Kingdom had been hard hit by bacon imports from Denmark, Ireland, and Holland, which have benefited from what British farmers see as a distortion of competition resulting from the method of computing MCA's.

Leaders in the bacon industry still would like the Government to continue to press the EC to change the method of calculating MCA's for their benefit—and warn of possible closures of some bacon factories.

Nevertheless, current Government policy positions have been partly responsible for more optimism among U.K. producers.

Chile

Bumper Crops May Cut 1979 Grain Imports

Bumper crops of wheat, corn, and rice, mostly the result of record yields on increased areas, may cut Chile's wheat and corn imports in 1979. In the case of rice, the high production level may make the country a net exporter.

While not a record, Chile's final wheat-yield estimate was higher than previously set because dry conditions in much of Southern Chile late in the growing season apparently favored crop development and harvesting, according to Max F. Bowser, U.S. Agricultural Attaché, Santiago.

The result was a wheat production level close to the 1-million-ton mark, a volume that could help Chile cut its wheat imports to the 700,000-800,000 ton range. Also, Chile will probably reduce stock levels in an effort to keep at a minimum its payments for wheat imports, currently under upward price pressure.

Both corn and rice yields were estimated at record levels and in the case of corn, production also hit a new high. Rice, and to some extent corn, benefit from irrigation throughout the growing season.

The 1979 corn production estimate of 489,270 tons is about 90 percent larger than the 1978 level of 256,880 tons and 38 percent larger than the previous record of 355,320 tons in 1977.

Rice production is officially estimated at 181,170 tons, although trade sources indicate the yield and production levels may be somewhat smaller than the Government's figures.

A cut in Chile's wheat imports to 800,000 tons in 1979 would mean a reduction of 150,000 tons from the volume imported in 1978, of which the United States provided approximately 900,000 tons. With an f.o.b. Gulf price of $175 per ton for No. 2 Hard Red Winter wheat, the c.i.f. Valaparaíso, Chile, price would be about $205 per ton, representing a potential import savings of $30.8 million.

Significant corn imports are unlikely in 1979 because of record production. With a Valaparaíso price of about $155 per ton, these reduced imports represent a potential savings of about $31 million.

The sharp increase in 1979's rice output probably will enable Chile to export a sizable volume of rice this year, although it may have to import some long-grain rice. The potential net trade balance could be in the neighborhood of $4-$5 million.

In 1978, because Argentina filled the bulk of Chile's corn requirements, the United States supplied only about 20,000 tons of Chile's imported corn.

The last time Chile imported rice from the U.S. was in 1974. □

Other policy intentions of the present Thatcher Government are to find ways of minimizing wasteful expenditures of the CAP, particularly since the United Kingdom's contributions to the EC budget in the form of customs receipts, agricultural levies, and value-added tax (VAT) receipts far exceed the benefits received in the form of CAP price supports and MCA's.

One aspect of this policy direction is the United Kingdom's desire to cut down on market intervention to maintain high minimum producer prices, which—with the cost of surplus storage and disposal programs—make up a large part of the EC budget at the present time.

Thus the EC Council of Agricultural Ministers' decision to freeze milk prices in European units of account for the coming year could be counted a "victory" for the United Kingdom since the cost of financing the surplus in dairy products normally takes a heavy 40 percent of common agricultural budget expenditures.

U.K. milk and milk product prices automatically increase for the new marketing year anyway because of the latest 5 percent devaluation of the green pound.—*By Marshall H. Cohen; Economics, Statistics, and Cooperatives Service.* □

Indonesia

Higher Duties Affect Imports of U.S. Food Products

Effective April 23, 1979, Indonesia began to apply a specific duty rather than ad valorem duty on 211 consumer items. Included were 44 food products, representing $35.6 million of imports in 1977. Imports from the United States of those food items amounted to $8.4 million, and included meat, poultry, fresh and processed fruits, cereal products, and beverages.

The Indonesian action results in a substantially higher effective duty on imports. The Indonesian Importers Association estimated the average duty increase at 50 percent, but many items were raised considerably more. For example, meat products were boosted 400 percent and fresh fruit over 100 percent.

The official justification for the action was the need to protect domestically produced consumer goods and to simplify the calculation of import duty rates. The new duty structure is designed to curtail reported customs irregularities.—*By Dewey Pritchard, International Trade Policy, FAS.*

Canada

Oilseed Production Soaring to New Records

Production of all of Canada's oilseeds are expected to expand in 1979/80 with rapeseed, flaxseed, and soybeans hitting new records. Soybean outturn may jump by 27 percent, rapeseed by 30 percent, and flaxseed by nearly 100 percent. However, the jump in production may not be reflected in higher exports of some of the oilseeds.

Largely responsible for the larger outturns were low comparative wheat and barley prices and the opportunity for immediate cash returns from rapeseed, which caused many farmers to switch some land from grain to oilseeds—mainly rapeseed.

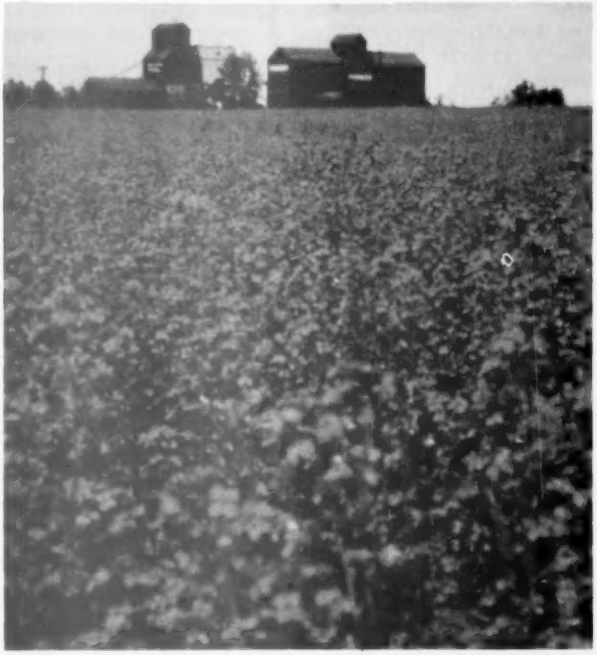
Their expected marketing opportunities boosted area not only for rapeseed but also flaxseed, soybeans, sunflowerseed, and mustard seed.

Large carryovers are expected by 1980 particularly of rapeseed and flaxseed.

Some analysts believe that unless there is an exceptionally strong oilseed flow to the Japanese market, and a better relationship between the Canadian dollar and the Japanese yen, lower prices in this primary Canadian market may be in the offing. They further think that if Canadian and world economies continue to weaken, volume and price levels of oilseed exports to all markets may drop.

Rapeseed production rose from 3.4 million metric tons in 1978/79 to a currently forecast 4.5 million in 1979/80, while seeded area climbed to an estimated 3.3 million hectares in 1979/80 from 2.8 million in 1978/79.

Canada's rapeseed yields have been rising in recent years, largely because of improved production techniques. Farmers are using more fertilizer and have learned that rapeseed grown in stubble fields will yield as much as that grown on fallow land, provided fertilizing is adequate.



The Canadian landscape is made bright by a rape field in bloom.

Exports of Canadian rapeseed are expected to reach 1.7-1.8 million tons in 1978/79, with Japan taking over 1 million tons, and India and Europe taking some 200,000-250,000 tons each. The remaining major markets of North Africa, Korea, and Bangladesh collectively will probably take about 100,000 tons.

Rapeseed exports in 1979/80 are expected to be in the same range as a year earlier.

Canadian producers expect Japan's imports to rise from the 1-million-plus-ton level of 1978/79 to some 1.5 million tons this year.

Canada's rapeseed crushing activity has utilized nearly all of the country's mill capacity during the last 6 months, and the year's crushing level—at 825,000 tons—will be slightly less than the industry's 900,000-ton capacity, and well ahead of 1978/79 crushings of 750,000 tons.

New crushing mills coming on line include one each in Alberta and Ontario Provinces. About 40 percent of the vegetable oil and 25 percent of the meal consumed in Canada comes from rapeseed.

Flaxseed area and production are estimated to have increased by about 95 percent each. Planted area almost doubled to slightly more than 1 million hectares in 1979/80 from the previous year's level, while output is seen climbing from 559,000 tons to nearly 1.1 million tons. Farmers increased their sowed area because unfavorable weather earlier in the season precluded the planting of wheat.

Flaxseed crushing capability is limited to less than three mills and official statistics are not released. However, it is unofficially estimated that meal production has remained stable at 35,000-38,000 tons a year in recent years. Most of this output goes to the export market—primarily to Japan and Europe.

Prompted by strong prices, **soybean** producers in Ontario boosted area from 285,000 hectares in 1978/79 to 316,000 hectares in 1979/80, and production is expected to climb to 656,000 tons from 516,000. Production has been favorably influenced by strong market prices, the use of improved soybean varieties, and a decline in output of white beans.

Canada imports more soybeans than it exports, most of them from the United States. In 1978/79, imports were 392,000 tons and exports were only 115,000 tons. In 1979/80, imports are expected to be 330,000 tons and exports 136,000 tons.

A new crushing mill will go on line in 1979/80. Domestic crushing is expected to climb from 785,000 tons in 1978/79 to 825,000 tons a year later.

Canada's 1979/80 **sunflowerseed** production is expected to climb to 171,000 tons from 114,000 tons in 1978/79, a rise of 50 percent, largely because of a switch to U.S. hybrids. Area also has increased by almost that much—to 130,000 hectares.

—Based on a report by Evans Browne, Assistant U.S. Agricultural Attaché, Ottawa. □

Bahrain

Arabian Peninsula Food Show Set For October 15-17

Food tradesmen from 11 countries and emirates on the Arabian Peninsula are being invited to attend an FAS trade-only exhibit of U.S. food products, scheduled for October 15-17, at the Bahrain Hilton, Manamah, Bahrain.

Importers, wholesalers, and others in the food trade from the host country, as well as from Saudi Arabia, Qatar, Kuwait, and the seven emirates making up the United Arab Emirates are being invited to send representatives to the exhibit.

An FAS Trade Development Officer has made a field survey of the city, its facilities, and the food requirements of Bahrain and the surrounding area; information packets have been sent to U.S. food processors and exporters.

Bahrain is both an agricultural importer and entrepot/reexporter, serving as distribution center for most of the U.S. foods that find their way to the countries and emirates on the Peninsula. Bahraini agricultural imports are mostly grains and grain products, meat products, and processed foods.

A large part of these come from the United States and in 1978 included rice, beverage bases, fats and oils, canned vegetables, frozen vegetables and fruit and vegetable juices, poultry meat, beef and beef byproducts, and snack items. Other U.S. farm products shipped to the Peninsula included wheat flour, eggs, dairy products, fresh fruits, popcorn, and beans.

U.S. farm product exports to Bahrain rose from $5 million in 1977 to $6 million a year later. Saudi Arabia took $315 million worth of U.S. food products, versus $171 million in 1977, and Qatar imported about $5.4 million, compared with $1.6 million in 1977. U.S. agricultural exports to the United Arab Emirates were valued at $31.0 million in 1978 compared with $12.5 million in 1977, while the comparative figures for Kuwait were $20.6 million in 1978, $16.0 million in 1977.

All of the countries and emirates on the Peninsula have certain practices in common that tend to ease the task of selling to importers there. In most cases, trade is conducted without government control. Import licenses generally are not required, although in Kuwait the Government excercises a certain measure of control.

Generally, imports of pork and pork products are controlled or banned and liquor imports are barred. No foods shipped to the Peninsula may contain any products of Israeli origin, nor may U.S. exports be shipped through Israel. Shipments of fresh or frozen meat and poultry must be accompanied by statements that the animals were slaughtered in accordance with Moslem law.

Firms or individuals interested in participating in any future exhibits—or in any other FAS food promotion activity overseas—should write to the Director of the Export Trade Services Division, FAS, Washington, D.C. 20250, telephone (202) 447-6343. □

TRADE BRIEFS

U.S. Share Growing In U.K. Cotton Market

The U.S. cotton market share in the United Kingdom increased sharply during the first 9 months of the 1978/79 marketing season, accounting for 16 percent of U.K. cotton imports, compared with a 9-percent share during the same 1977/78 period . . . British imports of U.S. cotton in this 1978/79 period amounted to 33,882 bales (480 lb net), compared with 23,993 bales during the comparable 1977/78 period . . . the gain this season makes the United States the third leading cotton supplier of the United Kingdom—behind the USSR and Turkey . . . for the entire 1977/78 marketing year (August-July), 12 percent, or 61,086 bales, of U.K. cotton imports came from the United States.

Japan Plans To Build Grain Elevator In Louisiana

Ze-Noh, Japan's national ag-coop federation, is planning to build an export grain elevator near Ama, Louisiana . . . the $55-million elevator will feature a silo capacity of 100,000 tons, with a loading capability of 20,000 tons daily . . . the project will add another link in Ze-Noh's worldwide chain of facilities and ocean vessels, which its trading company (Unicoop) uses to help move feedstuffs from export sources to Japanese farmers.

U.S. Aid Program To Egypt Called 'Largest' Ever

"We are mounting in Egypt the largest sustained economic development effort ever mounted by the United States. It is larger, even measured in constant dollars, than our Marshall Plan and Vietnam aid program," declared Joseph C. Wheeler of the Agency for International Development. Wheeler heads AID's Near East program . . . speaking at an "Egypt Update" symposium in New York recently, Wheeler said that by September 30 the United States will have obligated $4.3 billion since 1974 and will have spent about $2.4 billion . . . "We are obligating $1.05 billion a year," he said.

New Dates for Paris Health Food Show

Dates for the FAS-sponsored health food show in Paris have been changed to October 27-29 from the original dates of October 17 and 18 . . . the Paris show now follows the FAS show in London that is scheduled for October 24 and 25.

U.S. Sunflowerseed Oil Exports To Japan Up

U.S. sunflowerseed oil is beginning to find its way to Japan in an increasing volume . . . though negligible last year, these exports totaled 1,913 metric tons, worth $1.3 million during January-June 1979 . . . overall, U.S. exports of sunflowerseed oil are running at 20,240 tons, valued at $13.2 million, compared with 15,915 tons worth $10.2 million during the same 1978 period . . . the leading export markets are Venezuela, Poland, and Iraq.

India Taking More Malaysian Palm Oil

Over the year's first half, India's orders for Malaysian palm oil have increased spectacularly . . . through June, India had placed orders for 281,216 tons of palm oil and related products from Malaysia . . . during the first 4 months of the year, Peninsular Malaysia produced 590,945 tons of crude palm oil, an increase of about 57 percent over the corresponding 1978 period when drought greatly reduced output . . . full-year production now is estimated at around 2 million tons, compared with 1.64 million tons a year earlier.

Canada's Pork Exports To Rise Sharply

For the first time since 1973, Canada could become a large net exporter of pork in 1979 with shipments estimated in the range of 40,000 tons, carcass weight . . . the combination of a sharp reduction in imports—especially from the United States—and a significant increase in exports (both spurred by an expected record pork production) is responsible for the outlook of a more favorable trade balance in pork.

U.S. Gains Second Place In Austria's Rice Market

The United States has moved to second place in the Austrian rice market, even though America rice continues in the top price brackets . . . this gain testifies to the effectiveness of the U.S. Rice Council's market development program of building an image of superior quality for U.S. branded long-grain rice . . . Austria does not produce rice, and imports of this commodity are liberalized and duty-free . . . historically, the major supplier of regular milled rice has been the European Community.

Japan Plans To Open Wholesale Market For Beef And Pork Cuts

Japan's first wholesale market to deal in beef and pork cuts is scheduled to begin operating in early 1981 and will be located near Tokyo . . . the new market, called the Japan Meat Distribution Center, is expected to help rationalize Japan's oft-criticized pricing and distribution system for meat . . . prices will be published daily.

Philippines Increasing Sales Of Rice

Rice exports by the Philippines are up sharply, with total sales so far this year of 150,000 tons to Indonesia, 30,000 tons to Brazil, 25,000 tons to Malaysia . . . during the 1978/79 marketing year, the Philippines exported 14,000 tons of rice to Indonesia and nearly 40,000 tons to Malaysia . . . gains in rice production enabled the Philippines to resume rice exports in 1977/78 for the first time in almost a decade.

Paraguay Intends To Join IIC

The Government of Paraguay has notified the International Institute for Cotton that it is sending an application to join IIC . . . support for IIC also has been provided by the U.S. cotton industry as the American Cotton Shippers Association, AMCOT, the National Cotton Council, including the Oscar Johnson Cotton Foundation and the Cotton Foundation, and the Cotton Board and Cotton Incorporated have pledged $350,000 for IIC's activities in 1979 . . . in response to a request for additional funds for program activities in 1980, the American Cotton Shippers Association and AMCOT have pledged an additional $100,000 and $37,500, respectively.

WORLD AGRICULTURAL DAYBOOK

September

Trade/Technical Team Trips

U.S. Teams Overseas

Date	Team	To
4-13	Tanners Council	Paris Leather Show
6-27	U.S. meat	Belgium, Denmark, W. Germany, U.K.
8-26	Feed protein (Natl. Renderers Assn.)	Japan, Korea, Taiwan, Philippines.
10-21	Feed protein (Natl. Renderers Assn.)	Egypt, Poland, Hungary, German Democratic Rep.

Foreign Teams in the U.S.

Date	Team	To
Aug. 20-Sept. 15	Taiwanese wheat industry	California, Oregon, Colorado, Nebraska, Minnesota
Aug. 22-Sept. 2	Greek poultry feed	Georgia, California
Late Aug.-early Sept.	Brazilian rice cooperative	Texas, Louisiana, Arkansas, Tennessee
Aug. 24-Sept. 10	Tunisian wheat trade	Illinois, North Dakota, Idaho, Minnesota, Kansas, Washington, D.C.
Early Sept.	Italian farmers	California, Oregon, Colorado
2-16	Argentine and Chilean Seed	Minnesota, Oregon, Texas, Washington, D.C.
2-16	Czechoslovak seed	Illinois, California, Oregon
2-25	Taiwanese feed and livestock	California, Nebraska, Illinois, New York, Louisiana, Washington, D.C.
5-26	Taiwanese soybean technicians	California, Minnesota, Illinois, New York, Missouri, Tennessee, Louisiana, Washington, D.C.
7-21	Egyptian pulse	Washington, Oregon, Idaho, California, Wash., D.C.
8-15	W. German journalists (peanut industry)	Georgia, Virginia, Washington, D.C., New York
11-18	French corn specialists	Iowa, California
15-Oct. 4	W.German margarine producers	Illinois, Missouri, Georgia, Ohio, Washington, D.C.
15-30	Japanese seed	Oregon, Idaho, Minnesota, California, Wash., D.C.
16-30	Italian agricultural journalists	Indiana, Illinois, California, Louisiana, Washington, D.C., New York
In Sept.	USSR poultry (American Soybean Association)	To be set.

Trade Fairs/Exhibits

Date	Event	Location
8-13	ANUGA (hotel, restaurant, institutional) food exhibit	Cologne, W. Germany.
17-20	Food America '79	Edinburgh and Manchester, U.K.
17-30	U.S. food promotion	Hong Kong
20	California wine tasting	The Hague, Netherlands
21-30	International Dairy Cattle Fair	Cremona, Italy
28-Oct. 1	Dairy cattle fair	Torrelavega, Spain

Meetings

Date	Organization and location
3-7	European Maize Congress, Cambridge, U.K.
3-14	UNCTAD Interim Committee on Common Fund Negotiations, Geneva.
4-7	World Food Council, Ottawa.
10-14	UN Committee of the Whole, New York.
12-14	U.S.-Brazil Subgroup, Washington, D.C.
12-14	OECD Fruit and Vegetable Working Party, Paris.
17-18	OECD Joint Working Party, Agriculture and Trade, Paris.
17-21	UNCTAD Fourth Preparatory Meeting on Cotton, Geneva.
24	Cotton producing countries (meeting sponsored by International Institute for Cotton), Geneva.
24-28	FAS Western Hemisphere Attaches, Miami.
25-28	Organizational meeting, prospective member countries, Cotton Development International (CDI), Geneva.
In Sept.	GATT consultation on soybean oil marketing quota, Spain.
In Sept.	U.S.-Mexico Research and Planning Committee, Albequerque, New Mexico.
Sept.-Oct.	Bilateral discussion, Andean Pact Commission.

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